

Consolidated Financial Statements

Gravitas Financial Inc.

For the years ended
December 31, 2016 and 2015

Gravitas Financial Inc.

TABLE OF CONTENTS

Independent Auditors' Report	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Loss and Comprehensive Loss	5
Consolidated Statements of Changes in Equity (Deficiency)	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 – 63

Independent Auditors' Report

To the Shareholders of Gravitas Financial Inc.:

We have audited the accompanying consolidated financial statements of Gravitas Financial Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements, based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Company present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario
April 28, 2017

Chartered Professional Accountants
Licensed Public Accountants

MNP

Gravitas Financial Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

	Notes	December 31, 2016	December 31, 2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		27,681,208	34,427,311
Guaranteed investment certificates	9	8,679,939	20,089,000
Trade and other receivables	10	5,002,466	2,542,079
Receivable from brokers and clients		22,976,245	-
Inventory		116,260	249,768
Prepaid expenses		246,824	146,655
Loan receivables	14	3,240,687	1,089,421
Convertible debentures	15	420,583	319,376
Assets held for sale	6	--	8,229,765
Current assets		68,364,212	67,093,375
Non-current assets			
Property and equipment	11	234,503	148,710
Equity investments and other	12	13,609,214	6,437,240
Investments in associates	13	10,231,641	8,577,253
Loan receivables	14	684,704	4,473,760
Convertible debentures	15	3,072,315	2,290,626
Intangible assets	16	1,230,667	602,201
Goodwill	7 and 16	3,366,877	-
Non-current assets		32,429,921	22,529,790
Total assets		100,794,133	89,623,165
LIABILITIES			
Current			
Trade and other payables	17	5,140,872	3,007,921
Payable to brokers and clients		22,976,245	-
Customer deposits		469,300	270,329
Business acquisition cost payable	7	1,734,092	-
Liabilities held for sale	6 and 18	-	5,178,167
Debentures	19	3,330,412	-
Current liabilities		33,650,921	8,456,417
Non-current liabilities			
Lease inducement		37,821	47,943
Debentures	19	141,254,066	140,347,586
Deferred taxes	26	211,666	-
Non-current liabilities		141,503,553	140,395,529
Total liabilities		175,154,474	148,851,946
EQUITY (DEFICIENCY)			
Share capital	20	2,000,600	1,400,600
Contributed surplus		471,685	471,685
Deficit		(81,335,914)	(65,398,513)
Accumulated other comprehensive income		3,343,668	1,602,815
Total equity deficiency attributable to owners of the parent company		(75,519,961)	(61,923,413)
Non-controlling interest	8	1,159,620	2,694,632
Total equity deficiency		(74,360,341)	(59,228,781)
Total equity deficiency and liabilities		100,794,133	89,623,165

Commitments [Note 32], Subsequent events [Note 35]

On behalf of the Board:

/s/ Vikas Ranjan

Director

/s/ Gerry Goldberg

Director

See accompanying notes to the consolidated financial statements.

Gravitas Financial Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Presented in Canadian Dollars)

	Notes	For the years ended December 31,	
		2016	2015
		\$	\$
Revenue			
Listing and research fees		1,391,967	643,798
Consulting		577,788	474,680
Investment banking and wealth management		1,840,070	-
Royalties		340,709	441,077
Interest	22	2,009,115	1,765,538
Corporate finance deals		237,657	-
Other		595,173	328,835
Product sales (net of costs of \$403,054)		185,747	-
		7,178,226	3,653,928
Expenses			
Salaries and management fees		3,264,991	1,533,675
Consulting and professional fees		4,384,599	3,201,700
General and administrative		4,192,900	2,416,150
Interest expense	23	7,207,865	8,925,057
Exchange loss (gain)		287,524	(1,074,989)
Loss (gain) on settlements	24	(751,918)	271,698
Gain on disposal of available-for-sale investments		(448,441)	(628,728)
Loss on disposal of property and equipment		-	974
Change in fair value of convertible debentures - conversion feature		(322,743)	(186,850)
Change in fair value of FVTPL investments	12	(833,630)	(580,056)
Change in fair value of derivative warrant liability		-	(44,423)
Impairment	25	3,251,181	2,634,150
Debenture restructuring fee	19 (b)	3,583,429	-
Share of results of associates	13	1,279,125	1,787,731
Share of joint venture profit, net of tax		(728)	-
		25,094,154	18,256,089
			-
Loss before income taxes		(17,915,928)	(14,602,161)
Current income taxes		-	1,157
Net loss continuing operations		(17,915,928)	(14,603,318)
Net loss from discontinued operations		(546,039)	(64,811)
	6	(18,461,967)	(14,668,129)
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net loss			
Available-for-sale-financial assets			
Net change in fair value, net of tax effect		2,931,762	18,633
Reclassification to net loss, net of tax effect		(1,146,121)	(45,548)
		1,785,641	(26,915)
Foreign currency translation			
Cumulative translation adjustment, net of tax effect		(44,788)	(62,066)
Total other comprehensive income (loss)		1,740,853	(88,981)
Net loss and comprehensive loss		(16,175,075)	(14,757,110)
Net loss attributable to:			
Shareholders of the Company		(13,727,928)	(10,910,351)
Non-controlling interest	8	(4,734,039)	(3,757,778)
		(18,461,967)	(14,668,129)
Net comprehensive loss attributable to:			
Shareholders of the Company		(11,441,036)	(10,989,686)
Non-controlling interest	8	(4,734,039)	(3,767,424)
		(16,175,075)	(14,757,110)
Loss per common share, basic and diluted			
- Continuing operations		(0.259)	(0.219)
- Discontinued operations		(0.008)	(0.001)
		(0.267)	(0.220)
Weighted average number of common shares outstanding		69,060,321	66,601,305

See accompanying notes to the consolidated financial statements.

Gravitas Financial Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Presented in Canadian Dollars)

For the years ended December 31, 2016 and 2015

	Notes	Number of common shares	Share capital	Accumulated other comprehensive (loss) income		Contributed surplus	Deficit	Non- controlling interest	Total
				Available- for-sale financial assets	Foreign currency translation				
			\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015		66,601,305	1,400,600	1,664,881	(62,066)	471,685	(65,398,513)	2,694,632	(59,228,781)
Non-controlling interest – adjust for change in ownership interest		-	-	-	-	-	(2,209,473)	2,424,862	215,389
Non-controlling interest – acquisition								774,165	774,165
Non-brokered private placement	20	6,000,000	600,000	-	-	-	-	-	600,000
Net loss for the period		-	-	-	-	-	(13,727,928)	(4,734,039)	(18,461,967)
Other comprehensive loss									
Net change in fair value, net of tax effects		-	-	2,931,762	(44,788)	-	-	-	2,886,974
Reclassification to net loss, net of tax effect		-	-	(1,146,121)	-	-	-	-	(1,146,121)
		-	600,000	1,785,641	(44,788)	-	(15,937,401)	(1,535,012)	(15,131,560)
Balance, December 31, 2016		72,601,305	2,000,600	3,450,522	(106,854)	471,685	(81,335,914)	1,159,620	(74,360,341)

See accompanying notes to the consolidated financial statements.

Gravitas Financial Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Presented in Canadian Dollars)

For the years ended December 31, 2016 and 2015

	Notes	Number of common shares	Share capital	Accumulated other comprehensive income (loss)		Contributed surplus	Deficit	Non- controlling interest	Total
				Available- for-sale financial assets	Foreign currency translation				
			\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014		66,601,305	1,400,600	1,691,796	-	86,738	(53,932,642)	(75,400)	(50,828,908)
Change in functional currency		-	-	-	-	365,788	-	-	365,788
Broker warrants issued as part of Series C debentures		-	-	-	-	18,650	-	-	18,650
Stock-based compensation	20	-	-	-	-	509	-	-	509
Non-controlling interest		-	-	-	-	-	(555,520)	6,527,810	5,972,290
Net loss for the period		-	-	-	-	-	(10,910,351)	(3,757,778)	(14,668,129)
Other comprehensive income (loss)									
Net change in fair value, net of tax effects		-	-	18,633	(62,066)	-	-	-	(43,433)
Reclassification of impairment to net loss, net of tax effect		-	-	583,180	-	-	-	-	583,180
Reclassification to net loss, net of tax effect		-	-	(628,728)	-	-	-	-	(628,728)
		-	-	(26,915)	(62,066)	384,947	(11,465,871)	2,770,032	(8,399,873)
Balance, December 31, 2015		66,601,305	1,400,600	1,664,881	(62,066)	471,685	(65,398,513)	2,694,632	(59,228,781)

See accompanying notes to the consolidated financial statements.

Gravitas Financial Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

	Notes	December 31, 2016	December 31, 2015
		\$	\$
OPERATING ACTIVITIES			
Net loss from continuing operations		(17,915,928)	(14,603,318)
Net loss from discontinued operations		(546,039)	(64,211)
Adjustments:			
Stock based compensation		-	509
Amortization of equipment	11	58,230	48,175
Amortization - intangible assets	16	553,300	355,933
Interest accretion	22 and 23	1,504,564	2,219,579
Lease inducement		(10,122)	16,975
Loss (gain) on settlement	24	(751,918)	271,698
Gain on disposal of available-for-sale investments		(153,118)	(628,728)
Loss on disposal of property and equipment		-	974
Change in fair value of convertible debentures - conversion feature		(322,743)	(186,850)
Change in fair value of FVTPL investments		(833,630)	(580,056)
Change in fair value of derivative warrant liability		-	(44,423)
Impairment	25	3,251,181	2,634,150
Debenture restructuring fee	19	3,583,429	-
Share of results in associates	13	1,279,125	1,787,731
Equity investments received as a premium		-	(51,581)
Unrealized exchange gain		(21,727)	(452,784)
		(10,325,396)	(9,276,227)
Change in working capital	27	(1,184,072)	(493,221)
Cash flows used in operating activities		(11,509,468)	(9,769,448)
INVESTING ACTIVITIES			
Cash consideration for business acquisition	7	1,094,323	-
Guaranteed investment certificates		12,159,001	21,911,000
Additions to property and equipment	11	(41,067)	(23,525)
Purchase of equity investments and other	12	(5,089,169)	(3,136,641)
Proceeds from disposal of investments		1,370,848	1,524,028
Additional investments in associates	13	(3,313,513)	(4,236,850)
Dividends received on investment in associates	13	380,000	373,600
Loan receivable	14	(4,800,378)	(4,815,070)
Repayment of loan receivables	14	324,070	535,000
Convertible debentures		(328,850)	(1,054,827)
Repayment of convertible debentures		287,180	150,000
Proceeds from disposition of assets held for sale, net of costs	6	2,520,664	-
Net cash generated (used) from (in) investing activities		4,563,109	11,226,715
FINANCING ACTIVITIES			
Issuance on non-brokered private placement	20	600,000	-
Issuance of debenture	19	-	9,632,750
Re-purchase of debentures	19	(689,500)	(707,040)
Proceeds from issuance of shares to non-controlling interest		315,388	4,000,000
Net cash generated from financing activities		225,888	12,925,710
Translation effect on cash and cash equivalents		(25,632)	(62,066)
Net change in cash and cash equivalents during the period		(6,746,103)	14,320,911
Cash and cash equivalents, beginning of period		34,427,311	20,106,400
Cash and cash equivalents, end of period		27,681,208	34,427,311

Supplemental cash flow information [Note 27]

See accompanying notes to the consolidated financial statements.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 1. NATURE OF OPERATIONS

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

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

These consolidated financial statements have been approved by the Board of Directors on April 28, 2017.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

Subsidiaries

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsidiaries	Jurisdiction of incorporation	Percentage of ownership (%)
Ubika Corp	Canada	100%
Gravitas Select Flow- Through GP Inc.	Canada	100%
Gravitas Financial Services Holdings Inc.	Canada	100%
Gravitas Corporate Services Inc.	Canada	100%
Gravitas Global GP Inc. (inactive)	Canada	100%
Gravitas Venture Inc.	Canada	100%
Gravitas Consolidated Corp. (a) (b)	Canada	100%
New India Investment Corporation	Canada	100%
Global Compliance Network Inc. (a)	Canada	100%
Gravitas Investment Inc. (formerly Foundation Investment Management Inc.)	Canada	100%
The Mint Corporation ("Mint")	Canada	76.75% (2015 – 63.5%)
Claxton Capital Management (b) ("Claxton" or "CCM")	Canada	100%
Branson Corporate Services Inc.	Canada	51%
Luxury Quotient International Inc.	Canada	100%
Luxury Quotient India Private Ltd.	India	100%
SearchGold Guinee SARL (inactive)	Africa	100%
Claxton Real Estate Company Ltd. (b) ("CREC")	USA	42%
Gravitas Special Situation GP Inc. (c)	Canada	80%
Gravitas Mining Corporation (c)	Canada	83%
Gravitas Ilium Corporation (formerly Gravitas International Corporation) ("GIC")	Canada	50%
2242257 Ontario Inc. ("2242")	Canada	50.99% (by GIC)
Gravitas Capital International Inc.	USA	100% (by 2242)
Gravitas Securities Inc.	Canada	95.2% (by 2242)
Gravitas Wealth Advisors, LLC	USA	100% (by 2242)
2434355 Ontario Inc. ("2434355") (d)	Canada	100% (by 2242)
Foregrowth Inc. (formerly Gravitas Investor Platform Inc.) (a) ("FGI")	Canada	50% (by GIC)
Foregrowth Holdco Inc. (c)	Canada	100% (by FGI)
2474184 Ontario Inc. ("2474")	Canada	51.17%
Revenue.com Corporation	Canada	100% (by 2474)

(a) Incorporated in 2015

(b) Discontinued in 2015

(c) Incorporated in 2016

(d) Inactive

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of loss and comprehensive loss.

The Company assesses at each year end whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal or value in use) and charged to the consolidated statement of loss and comprehensive loss. If the financial statements of an associate are prepared as of a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements.

The Company's investments in associates are as follows:

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

Joint ventures

The Company's interests in equity investment and other includes amounts related to joint ventures. A joint venture is an arrangement which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. The interest is initially recognized at cost and subsequently the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of the joint venture arrangement, less any distributions received, until the date on which joint control ceases.

Non-controlling interests

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured either at fair value or at the NCI's proportionate share of the recognized amounts of the acquirees identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Functional and presentation currency and basis of evaluation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries, unless otherwise stated.

The monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the statement of financial position date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate in effect during the year. Gains and losses are included in consolidated statement of loss and comprehensive loss for the year.

These consolidated financial statements are presented using the historical cost method, except for available-for-sale financial assets and financial assets at fair value through profit or loss that are recognized at fair value.

Each entity of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The determination of functional currency is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Factors that an entity considers when determining its functional currency include: (1) the currency that mainly influences sale price for goods and services; (ii) the currency of the country whose competitive forces and regulations mainly determine that sale price of its goods and services; (iii) the currency that mainly influences labour, material and other costs of providing goods and services; (iv) the currency in which funds from financing activities are generated; and (v) the currency in which receipts from operating activities are usually retained. When the indicators are mixed and the functional currency of an entity is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The functional currency of Claxton is the United States dollar and the functional currency of Luxury Quotient India Private Ltd. is the Indian Rupee.

The assets and liabilities of these foreign operations having a functional currency other than the Canadian dollar are translated into Canadian dollar at the exchange rate prevailing at the consolidated statement of financial position date, and at the average exchange rate for the reporting period for revenue and expense accounts. The cumulative foreign currency translation adjustment is recorded as a component of accumulated other comprehensive income or loss in shareholder's equity.

On disposal of a foreign operation (that is, a disposal of the Company's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation): (1) all of the exchange differences accumulated in equity in respect of that operation attributable to the Company are reclassified to profit or loss; and (2) any cumulative amount of exchange differences relating to that foreign operation attributable to the non-controlling interests is de-recognized but is not reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and not recognized in profit or loss.

Effective April 1, 2015, Mint, a subsidiary, changed its functional currency to the Canadian dollar. The change in functional currency was applied on a prospective basis. This change reflects the subsidiary's financing and operating activities, which are now primarily in the Canadian dollar.

The impact of the change in functional currency on the measurement and reporting is discussed below. The change in functional currency will result in no additional changes in the cumulative translation adjustment going forward as Mint's functional currency is the Canadian dollar.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Prior to the change in functional currency, the financial results and positions of foreign operations whose functional currency is different from the reporting currency were translated as follows:

- Assets and liabilities were translated at period and exchange rates prevailing at the reporting date; and
- Income and expenses were translated at the average exchange rate for the period.

As a result of the change in functional currency, Mint's outstanding warrants that were previously accounted for as derivative liabilities and measured at fair value with changes in fair value accounted through the consolidated statement of loss and comprehensive loss will no longer be treated as derivative liabilities as the exercise price is in the functional currency of the Company. The fair value of the warrants outstanding was reclassified to a separate component of equity and no future fair value measurements will be required.

Cash and cash equivalents

Cash and cash equivalents include all cash and investments with an original maturity of three months or less. The Company maintains its cash in bank accounts in amounts that may exceed federally insured limits. The Company has not experienced any losses in these accounts in the past. The fair value of cash and cash equivalents approximates their current carrying amounts since all such items are short-term in nature.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is re-measured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statement of loss and comprehensive loss immediately as a gain or loss on step acquisition.

Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any differences between the change in the carrying amount of NCI and the consideration paid or received is attributed to owner's equity.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Purchases or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

The Company classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

The Company classifies its financial assets and financial liabilities as outlined below:

Assets / liabilities	Category	Measurement
Assets		
Cash	Fair value through profit or loss	Fair value
Guaranteed investment certificates	Loans and receivables	Amortized cost
Trade and other receivables (other than HST receivable)	Loans and receivables	Amortized cost
Receivable from brokers and clients	Loans and receivables	Amortized cost
Loan receivables	Loans and receivables	Amortized cost
Equity investment and other		
Common shares in quoted and private companies	Available for sale financial assets	Fair value/cost
Options and warrants investments	Fair value through profit or loss	Fair value
Debentures	Loans and receivables	Amortized cost
Subscription receipts	Available for sale financial assets	Fair value
Preferred shares in private companies	Available for sale financial assets	Fair value
Convertible debentures		
Loan component of convertible debentures	Loans and receivables	Amortized cost
Conversion feature of convertible debentures	Fair value through profit or loss	Fair value
Liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Payable to brokers and clients	Other financial liabilities	Amortized cost
Business acquisition cost payable	Other financial liabilities	Amortized cost
Short term convertible debenture	Other financial liabilities	Amortized cost
Debentures liability	Other financial liabilities	Amortized cost
Debentures warrant liability	Other financial liabilities	Amortized cost

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Available for sale financial assets ("AFS")

Available for sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The equity interests in private entities are measured at cost less any impairment loss in the absence of a quoted market price and when the fair value cannot be reasonably determined.

AFS financial assets are measured at fair value except when the fair value cannot be reasonably determined. Fair value is based on the last quoted bid price, within the bid-ask price spread. The net change in fair value is recognized in other comprehensive income (loss). When the asset is de-recognized, the cumulated net change in fair value that was recognized in other comprehensive income (loss) is reclassified to comprehensive income (loss) under "Gain (loss) on disposal of available for sale investment" if applicable and presented as a reclassification adjustment within other comprehensive income (loss).

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Impairment charges are recognized in profit or loss as impairment on investments, if applicable. Reversals of impairment losses are recognized in other comprehensive income (loss).

Financial assets at fair value through profit of loss ("FVTPL")

Financial assets at fair value through profit of loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains and losses recognized in profit or loss.

When the Company holds debentures that are convertible into the issuer's equity shares at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The embedded derivative is not closely related to the host contract (the debenture) from the Company's perspective. Such equity conversion feature is classified as FVTPL, with the debenture being classified as loans and receivables. The embedded derivative's fair value (the conversion feature) is calculated first, and the carrying value of the debenture is assigned to the residual amount after deducting from the consideration paid to acquire the hybrid instrument, the amount separately determined for the embedded derivative.

Financial liabilities at amortized cost

Financial liabilities at amortized cost represent financial liabilities not held for trading. They are initially measured at fair value less transaction costs. Subsequently, they are measured at amortized cost. The difference between the initial carrying amount and the redemption value is recognized in profit or loss over the duration of the contract using the effective interest rate method.

The Company has debentures bearing interest at a rate that could exceed the base rate, depending on future earnings before interest expense and tax ("EBIT"). These debentures are treated as floating rate liabilities, with the effective interest rate ("EIR") re-determined periodically based on the expected level of EBIT. Accordingly, any incremental interest payments above the base rate are recognized as interest expense in the same period that the related EBIT thresholds are met. Debenture issue costs relate to the term of the debenture (excluding the renewal period), and as a result are amortized over the expected life using an effective interest rate consistent with the base interest rate.

Financial liabilities at fair value through profit of loss ("FVTPL")

The Company has warrants issued with exercise price denominated in a currency other than the Company's functional currency. These warrants are accounted for as a derivative warrant liability and measured at fair value using the Black Scholes option pricing model with subsequent changes in fair value recognized in profit or loss. As the warrants are exercised, the value of the recorded warrant liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related warrant liability is reversed through profit or loss. These warrants have not been listed on an exchange and therefore do not trade on an active market.

Impairment of non-financial assets

Goodwill and indefinite life intangibles are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite life intangible assets are tested for impairment if events or changes in circumstances, assessed quarterly, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs of disposal. Value in use is defined as the present value of the future cash flows expected to be derived from an asset or a cash generating unit. Previously recognized impairment losses, other than those attributable to

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

goodwill, are reviewed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the impairment is reversed. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

Goodwill impairment testing

The Company completes an annual (or more often if impairment indicators arise under the applicable accounting guidance) impairment assessment of its goodwill on a cash generating unit level. The Company's annual impairment test for goodwill is December 31.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units ("CGU"s) or a group of cash generating units that is expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash flows from other assets or group of assets. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there are indications that the unit may be impaired. Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

All of the goodwill in the consolidated financial statements relates to the acquisition of Elitify, and 2242257 Ontario Inc. Goodwill represents the excess of the purchase price of the acquired companies over the estimated fair value assigned to the individual assets acquired and liabilities assumed.

Impairment of financial assets

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity instruments classified as AFS, the Company follows the guidance of IAS 39, Financial Instruments: Recognition and Measurement, to determine when an AFS investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, whether there is a significant or prolonged decline in the fair value of the investment. Significant or prolonged decline is defined respectively as an unrealized loss of at least 50% and/or a decline under its cost over two consecutive fiscal years. Financial health of the short term business outlook for the investee, including factors such as industry and sector performance and operating and financing cash flows are considered as well by the Company in its evaluation.

Investments in which the Company has significant influence, are accounted for by the equity method. These investments as well as loans and debentures are examined for any impairment whenever there is objective evidence.

Impairment losses on equity instruments classified as AFS are recognized by transferring the cumulative loss that has been recognized in other comprehensive income (loss), and presented in the fair value reserve in equity, to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Objective evidence of impairment could include the following indicators: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payment; and it has become probable that the borrower will enter into bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding receivables, is directly reduced by the impairment loss. The carrying amounts of receivables is reduced through the use of an allowance account, when a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized. For AFS financial assets that are equity securities, the reversal is recognized in other comprehensive income (loss).

Basic and diluted net income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by adjusting the income (loss) attributable to ordinary equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

For the periods presented, the diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the outstanding warrants and share options as they would have the effect of decreasing the loss per share.

Revenue recognition

Revenues are measured at fair value of the consideration received or to be received and are recognized when the amount can be measured reliably and it is probable that future economic benefits will flow to the Company, when the transaction amount is determined and collection is reasonably assured.

Revenue that do not meet the recognition criteria or paid before the delivery of services are recorded as deferred revenue. They are classified either as current or non-current liabilities depending on the expected period of services to be rendered.

In addition to the general principles outlined above, the Company applied the following specific principles:

Listing and research fees and rental income are recognized over a straight line basis over the terms of the contracts.

Advisory services and consulting fees are recognized on an accrual basis based on the level of services provided.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Investment banking and wealth management revenue represents the commission paid on successful placement of newly issued securities. This revenue is recognized when the underlying transaction is substantially completed under the terms of the engagement.

Royalties are recognized at the time the right to receive payment is established.

Interest income is recognized based on the number of days the investment was held during the year using the effective interest rate method.

Other revenue is recognized when the amount can be measured reliably and it is probably that future economic benefits will flow and collection is reasonable assured. It consists of items that do not fall under the other categories of the Company's revenue recognition.

Dividend revenue is recognized as of the ex-dividend date.

Commission revenue is recognized on a trade date basis.

Trailer fees are earned on prime mutual funds sales and are recorded when earned.

Advisory and corporate finance fees are earned as a participating agent in the sale of various investments projects. Such fees are recognized on an accrual basis, upon services provided.

Management fees are accrued monthly and are recognized on a straight-line basis over the period the portfolio is managed.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle.

Receivable from and payable to brokers and clients

The Company's 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. As at December 31, 2016, GSI held client money in segregated accounts of \$22,976,245 (2015 - \$Nil). All amounts receivable from clients and brokers have an offsetting payable, however as GSI does not have a legal right to offset the amounts, they have been presented as receivable and payable on the statement of financial position.

Investment property

Investment property is initially measured at cost and subsequently at fair value with any changes therein recognized in profit or (loss), any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) are recognized in the consolidated statement of comprehensive income (loss).

Assets held for sale

Non-current assets, or disposal groups comprising of assets and liabilities are classified as held for sale, if it is highly probable that they will be recovered primarily through the sale rather than through continuing use. Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Property and equipment

Property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical costs includes all costs directly attributable to the acquisition.

Amortization of property and equipment are calculated on components that have homogeneous useful lives, using the declining balance basis method to depreciate the initial cost as follows:

Office furniture and office equipment	10% to 33%
Computer equipment	20% to 63%

Amortization of leasehold improvements are recognized over the lease term of six years.

Useful lives, residual values, amortization rates and amortization methods are reviewed annual. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Gain or loss on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Valuation of equity investments and other

Investment transactions are recorded on a trade date basis. The cost of investments represents the amount paid for each security and are determined on an average cost basis excluding transaction costs.

The fair value of the Company's investments as at the financial reporting date are determined as follows:

Common shares in quoted companies

All securities listed on a recognized public stock exchange are generally valued at their last bid price. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of the fair value based on the specific facts and circumstances.

Options and warrants

The options and warrants are valued at fair value using the Black Scholes pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the options and warrants.

Investments in private companies

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

Intangible assets

Intangible assets with a finite useful life are stated in historical cost, less any accumulated amortization and any accumulated impairment losses. Historical costs includes all costs directly attributable to the acquisition.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

The net smelter royalty is amortized on a straight line basis over the estimated useful life of the related mine of four years. Estimated useful lives and the amortization method are reviewed annually with the effect of any changes in estimates accounted for on a prospective basis.

Brand names and licenses have indefinite lives and are not amortized but are tested for recoverability annually or more frequently if there are indications of impairment. The indefinite life is reviewed annually to ensure that is still justifiable. An impairment loss would be recognized if the carrying amount of the brand names or licenses exceeded its recoverable amount. Currently there are no legal, regulatory, competitive or other factors that limit the useful lives of the Company's brands or licenses.

Customer relationships, acquired via a business acquisition is amortized over a six year period.

Backlog, acquired via a business acquisition is amortized over a one year period.

Proprietary software, acquired via a business acquisition is amortized over a two year period.

Leases

Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Lease payments under operating leases are recognized as expenses on a straight line basis over the lease term unless another systematic basis is more representative of how the economic benefits of the leased assets are spread over time.

Lease inducement, which corresponds to free rents, are deferred and recognized as an expense on a straight line basis over six years, which represents the lease duration for which the inducement was received.

Income taxes

Income tax expense includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income (loss) or equity, in which case the tax expense is recognized in other comprehensive income (loss) or equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous period.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences and the carry forward of non-capital losses can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax assets to be recovered.

Equity

Share capital represents the amount received upon the share issuance. If shares are issued when options and warrants are exercised, the share capital account also comprises the share based payment cost previously recognized in contributed surplus.

Other elements of equity

Contributed surplus includes share based payments related to options and warrants until such equity instruments are exercised.

Retained earnings (deficit) includes all current and prior period profits or losses and issuance costs net of any tax benefits.

Accumulated other comprehensive income (loss) includes the net change in fair value recognition on AFS assets and foreign currency translation adjustments.

Equity settled share based payments

The Company operates equity settled share based remuneration plans for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. Occasionally the Company issues warrants to the brokers.

All goods and services received in exchange for the grant of any share based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employee and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share based payments under equity settled share based payments plans (except warrants to brokers) are ultimately recognized as an expense in profit or loss or loss with a corresponding credit to contributed surplus, in equity. Warrants issued to brokers are recognized as issuance costs of equity instruments with a corresponding credit to contributed surplus in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

NOTE 3. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

The significant accounting policies applied in these consolidated financial statements are presented above.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 4. CHANGES IN ACCOUNTING POLICIES

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

IFRS 11 – Joint Arrangements

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

IAS 1 – Presentation of Financial Statements

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

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

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

(b) Standards issued but not yet effective.

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standard have been published but not yet effective and have not been adopted by the Company.

The standards are effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exceptions early adoption is permitted, the restatement for the classification and assessment presented for prior periods, particularly with respect to impairment is not required. The Company is still evaluating the impact of these standards on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

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

IFRS 9 – Financial Instruments

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

IFRS 2 – Share Based Payments

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

In June 2016, the IASB issued final amendments to this standard. IFRS 2 clarifies the classification and measurement of share based payments transactions. These amendments deal with variations in the final settlement arrangements including: (a) account for cash settled share based payment transactions that include a performance condition; (b) classification of share based payment transactions with net settlement features; and (c) accounting for modifications of share based payment transactions from cash settled to equity. IFRS 2 is effective for annual periods beginning on or after January 2018, with early adoption permitted.

IFRS 16 – Leases

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

NOTE 5. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, the Company undertakes a number of estimates, judgments and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in these consolidated financial statements.

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

Consolidation

Judgment is applied in assessing whether the Company exercises control and significant influence over subsidiaries, in which the Company directly and indirectly owns an interest. The Company has control when it has power over the subsidiary, has exposure, or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effect date on which the Company obtains control.

Control over Claxton

Claxton (a private company) is a subsidiary of the Company even though the Company only has a 42% ownership interest in Claxton. The Company acquired its 42% ownership by converting its investment in preferred shares into common shares. The remaining 58% interest is held by several shareholders that are widely held. However, CCM controls voting rights for approximately 14% of Claxton's common shares. Accordingly, the Company has voting control over 56% and beneficial interest of 42% in the issued capital of Claxton. The directors of the Company assessed whether or not the Company has control over Claxton based on whether the Company has the practical ability to direct the relevant activities of Claxton unilaterally. In making their judgement, the directors considered the Company's absolute size of holdings in Claxton and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Company has control over Claxton.

Control over Gravitas Ilium Corporation

The Company incorporated a new subsidiary, Gravitas Ilium Corporation and has a 50%, plus one voting control. Accordingly, the Company has beneficial interest in GIC. The directors of the Company assessed whether or not

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

the company has control over GIC based on whether the Company has the practical ability to direct the relevant activities of GIC unilaterally. In making their judgement, the directors considered the Company's absolute size of holdings in GIC and the voting control. After assessment, the directors concluded that the Company has control over GIC.

Significant influence over Mint Middle East

Note 13 describes the Mint UAE operations (MME) as associates of the Company. The Company has significant influence over MME by virtue of its representation on the board of directors. The Company lost control over MME by virtue of a management agreement entered between the Company and the other shareholder.

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 that include 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 established fair values. The judgments include consideration of model inputs such as volatility, estimated life and discount rates.

Impairment losses of AFS financial assets, equity accounted investments, loans and debenture receivables

The Company reviews AFS investments and records an impairment loss when there has been a significant or prolonged decline in the fair value below their cost or any other observable data indicating impairment. The determination of what is significant or prolonged declines requires judgment. The Company evaluates historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. The Company reviews equity accounted investments, loans and debenture receivables for impairment whenever there is objective evidence.

Determination of cash generating units

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows. Management determines which groups of assets are capable of generating cash flows that are largely independent of other operations within the Company. To create these groupings, management makes critical judgment about where active markets exist including an analysis of the degree of autonomy various operations have in negotiating prices with customers.

Goodwill and other intangible assets

The values associated with goodwill and other intangible assets involve significant estimates and assumptions, including those with respect to the determination of cash generating units, future cash inflows and outflows, discount rates and asset lives. At least annually, the carrying amount of goodwill and other intangible assets are reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgment which could affect the Company's future results if the current estimates of future performance and fair value change.

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, management 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 management's assessment regarding the Company's ability to

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets and future income tax provisions or recoveries could be affected.

Allowance for doubtful accounts

Management must exercise judgment to estimate the allowance for doubtful accounts. The evaluation of the allowance for doubtful accounts is established taking into account the specific credit risk to its customers, historical trends and economic conditions.

Fair value of the conversion feature component of convertible debentures

The Company is required to make certain estimates when determining the fair value of the conversion feature component, including the share price volatility. These estimates affect the loan and conversion feature components recognized in the consolidated statement of financial position and the accretion expense recognized in the consolidated statement of comprehensive income (loss).

Classification and fair value measurement of the derivative warrant liability

The Company's warrant instruments issued to investors are classified as derivative financial liabilities and measured at fair value until the instrument is extinguished or exercised. Fair value is calculated using the Black Scholes option pricing model which requires management to make certain estimates regarding appropriate risk free rates and expected lives of the instruments. These estimates affect the amount recognized as derivative warrant liabilities in the consolidated statement of financial position and the change in fair value of derivative warrant liabilities in the consolidated statement of comprehensive income (loss).

Impairment of intangible assets – net smelter asset

The recoverability of the net smelter royalty classified as intangible asset is dependent on the future revenues from mineral reserves and resources. The estimates for mineral reserves and mineral resources are determined based on a professional evaluation using accepted international standard for the assessment of mineral reserves. The assessment includes geological and geophysical studies and economic data and the reliance on a number of assumptions. The estimates of the reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration results from reconciliation of actual mining production data against the original reserve estimates or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves could have a material effect in the future on the Company's financial position.

Business combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimate relates to the determination of the fair value of these assets, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstance where estimates have been made, the Company may obtain third party valuation of certain assets, which could result in further refinement of the fair value allocation of certain purchase prices and accounting adjustment.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 6. DISPOSITION OF ASSETS AND DISCONTINUED OPERATIONS

Discontinued operations - Mint Technology

- a) During 2016, the Company completed the winding up of Mint Technology Inc. ("MTI"), an inactive 100% subsidiary of Mint based in the United States. Accordingly, the Company de-consolidated the operations and balance sheet of MTI. The net gain from discontinued operations of MTI was determined as follows:

Carrying value of MTI liabilities	327,801
Proceeds	-
Net gain on wind-up	327,801

Discontinued operations and disposition of Claxton

- b) During 2015, the Company listed the Palm Valley property for sale, and as a result, the operations of Claxton were presented as "discontinued operations" in the consolidated statement of loss and comprehensive loss.

On June 23, 2016, the Company entered into a conditional agreement for the sale of the Palm Valley property. On November 15, 2016, the Company completed its sale of the Palm Valley property for gross proceeds of US\$5,825,000. As part of the sale, the company, which purchased the Palm Valley property assumed the outstanding mortgage of US\$3,365,607. The Company incurred customary costs and adjustments related to the disposition of \$104,713 and the net proceeds realized were US\$1,902,675 (\$2,520,664), resulting in a net loss of US\$220,202 (\$295,323) included in net loss from discontinued operations.

The following table shows the statement of loss and comprehensive loss for the discontinued operations for the years ended December 31, 2016:

	For the year ended December 31, 2016	For the year ended December 31, 2015
	\$	\$
Rent revenues	705,825	184,087
Expenses		
Consulting and professional fees	320,580	103
Rental expenses	558,049	23,953
Change in fair value less cost to sell	450,000	-
General and administrative	-	216,276
Loss on settlement of trade and other receivables	-	7,904
Loss on disposition	295,323	-
Exchange loss	(44,287)	662
	1,579,665	248,898
Net loss and comprehensive loss	(873,840)	(64,811)
Gain on Mint Technology Wind up	327,801	-
	(546,039)	(64,811)

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 6. DISPOSITION OF ASSETS AND DISCONTINUED OPERATIONS – CONTINUED

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

	December 31, 2016 \$	December 31, 2015 \$
ASSETS		
Cash and cash equivalents	-	220,270
Trade and other receivables	-	240,308
Prepaid	-	51,703
Property and equipment	-	7,779,623
	-	8,291,904
LIABILITIES		
Trade and other payables	-	577,444
Loan payable (Note 18)	-	4,662,862
	-	5,240,306
Net assets directly associated with the discontinued operations	-	3,051,598

The following tables shows statement of cash flows for the Claxton operations:

	December 31, 2016	December 31, 2015
Cash flows from operating activities	224,854	139,614
Cash flows from (used in) investing activities	7,039,121	(139,614)
Cash flow used in financing activities	(4,518,457)	-
	2,745,518	-

NOTE 7. ACQUISITIONS

The Company has determined that the below acquisitions are business combinations under IFRS 3 and are accounted for by applying the acquisition method. The Company makes purchase price allocations for each of the acquired businesses between tangible and intangible assets and liabilities, including goodwill and deferred taxes. Accordingly, disclosures related to the fair value of assets and liabilities acquired as of the year-end have been made in these consolidated financial statements. Goodwill recognized is attributed based on CGU's.

Elitify

On July 21, 2016, Luxury Quotient India Private Limited, a 100% subsidiary of the Company, acquired Elitify.com, an on-line retail business operations, and certain assets and assumed certain liabilities from Lavidia Luxe Lifestyle Solutions Private Limited for gross consideration of \$2,403,592 ("the Elitify Acquisition"). Elitify is an on-line marketing branded luxury goods to customers in India. The Company considers Elitify a strategic supplement to Luxury Quotient's business activities.

The Company accounted for this purchase using IFRS 3, Business Combinations, using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in the consolidated financial statements from the date of the acquisition.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 7. ACQUISITIONS - CONTINUED

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

	\$
NET ASSETS	
Cash and cash equivalents	6,822
Trade and other receivables	11,899
Inventory	1,912
Property and equipment	102,956
Intangible assets (a)	1,173,327
Goodwill (non-deductible for tax purposes)	746,676
Net assets acquired	2,043,592
Consideration paid	
Cash payment	291,000
Other non-interest bearing notes payable	782,592
Unsecured compulsorily convertible debenture ("CCD") at 0.0001% due July, 2017	970,000
Total consideration paid	2,043,592

(a) The intangible assets consist of brand names of \$932,286, option to return assets of \$200,139 and proprietary software of \$40,902.

The other non-interest bearing notes payable and the CCD have been presented as business acquisition costs payable on the statement of financial position. During the year ended December 31, 2016, the Company paid \$18,500 of the business acquisition costs payable.

As part of the acquisition of Elitify, the Company was granted an option under which it may, within a period of one year from acquisition, return the business to the prior owners. During the year ended, the Company recorded impairment on the goodwill of \$746,676 and intangible assets of \$332,365, due to performance of operations and sales targets being missed. Elitify has been assessed as a stand-alone CGU. The Company is in the process of renegotiating the total consideration payable under the acquisition, or otherwise, it is expected to exercise the option. The key assumption in the calculations of impairment include sales growth per year, changes in cost of sales and weighted average cost of capital which were projected out 5 years, with a terminal growth rate of 5.2%. Weighted average cost of capital was determined to be approximately 35% based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on the Company's financing arrangements and the capital structure of comparable publicly traded companies. Management identified that a reasonably possible change in the key assumptions would not cause significant changes in the impairment.

Revenue.com

On November 9, 2015, the Company assigned convertible debentures of the original Revenue.com of \$434,232, that were previously fully impaired, to 2474184 Ontario Inc in exchange for 1,062,559 preferred shares of 2474184 Ontario Inc. The preferred shares have certain preferred rights and are convertible into common shares on the occurrence of specific events.

On November 8, 2016, Gravitas Venture Inc, a 100% subsidiary of the Company, and 2474184 Ontario Inc. entered into a debt conversion agreement, effective October 26, 2016, wherein Gravitas Ventures Inc. received an aggregate of 2,701,354 common shares of 2474184 Ontario Inc. in exchange for the \$696,509 loans due from 2474184 Ontario Inc. In addition, Gravitas Ventures Inc. received 1,218,367 shares of 2474184 Ontario Inc. for loan and management fees of \$278,000 plus harmonized sales tax charged to 2474184 Ontario Inc.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 7. ACQUISITIONS - CONTINUED

Upon the debt conversion on October 26, 2016, the Company obtained controlling interests of 51.17% of Revenue.com. The Company accounted for this purchase using IFRS 3, Business Combinations, using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in the consolidated financial statements from the date of the acquisition.

All amounts that had previously been invested in Revenue.com had been fully impaired. As the Company now controls the entity, the Company reversed the previously recorded impairment of amounts receivable from Revenue.com of \$177,101 recorded earlier in the year, which has been eliminated as part of the consolidation.

The Company recorded an allocation of the purchase price to tangible assets acquired and liabilities assumed, based on their fair values as of the October 26, 2016 acquisition date. The purchase price allocation is as follow:

	\$
NET ASSETS	
Cash and cash equivalents	10,272
Trade and other receivables	43,506
Trade and other payables	(322,378)
Due to related parties	(177,101)
Goodwill (Impaired subsequently) (a)	445,701
Net assets acquired	-
Consideration paid	
Conversion of debt, management and loan fees	1,010,649
Provision for impairment on debt	(1,010,649)
Total consideration paid	-

(a) The goodwill was impaired immediately on acquisition due to the uncertainty of the future cash flows of the business based on its early stage of operations.

2242257 Ontario Inc.

On October 1, 2016, Gravitas Ilium Corporation ("GIC"), a 50% subsidiary of the Company, acquired 50.99% of 2242257 Ontario Inc. ("2242") for the conversion of \$750,000 of outstanding indebtedness due from 2242 to GIC (the "2242 Acquisition"). 2242 is a holding company that provides investment banking and wealth management services through its subsidiaries. 2242 owns a 95.2% interest in Gravitas Securities Inc. ("GSI"), and a 100% interest in each of Gravitas Capital International Inc. ("Gravitas Capital"), Gravitas Wealth Advisors LLC ("GWA"), and 2434355 Ontario Inc. ("2434355").

The Company accounted for this purchase using IFRS 3, Business Combinations, using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in the consolidated financial statements from the date of the acquisition.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 7. ACQUISITIONS - CONTINUED

The Company recorded an allocation of the purchase price to tangible assets acquired and liabilities assumed, based on their fair values as of the October 1, 2016 acquisition date. The purchase price allocation is as follow:

	\$
NET ASSETS	
Cash and cash equivalents	1,276,079
Guaranteed investment certificates	749,940
Trade and other receivables	241,352
Receivable from brokers and clients	21,118,142
Loans receivable	473,936
Prepaid expenses	13,190
Equity investments and other	338,510
Customer relationships - investment banking	114,240
Backlog - investment banking	142,800
Tradename/brands	133,280
US investment banking license	196,755
Goodwill (non-deductible for tax purposes)	3,366,877
Trade and other payables	(992,566)
Payable to brokers and clients	(21,118,142)
Due to related parties	(4,418,562)
Deferred tax liability	(211,666)
Non-controlling interest	46,712
Net assets acquired	1,470,877
Consideration paid	
Conversion of debt	750,000
Non-controlling interest	720,877
Total consideration paid	1,470,877

Revenue and net income (loss) of 2242 since the acquisition date included in these consolidated financial statements were \$1,934,471 and (\$44,140) respectively. Revenue and net income (loss) of the combined entity for the current reporting period as though the acquisition occurred as of the beginning of the annual reporting period, were \$10,119,575 and (\$18,709,380) respectively.

Goodwill was allocated to 2242, which is a separate CGU. At December 31, 2016, the recoverable amount of the CGU was higher than its carrying value. The key assumption in the calculation of the recoverable amount include sales growth per year, changes in cost of sales and weighted average cost of capital which were projected out 5 years, with a terminal growth rate of 2%. Weighted average cost of capital was determined to be approximately 17.6% based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on the Company's financing arrangement. Management identified that a reasonably possible change in the key assumptions would not cause significant changes in the impairment.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 8. INTERESTS IN SUBSIDIARIES

December 31, 2016						
	Gravitas Ilium Corporation	Claxton Real Estate Company Ltd.	Branson Corporate Services Inc.	The Mint Corporation	Revenue.com	Total
	\$	\$	\$	\$	\$	\$
Proportion of ownership interest and voting rights held by NCI	50%	58%	49%	23.25%	49%	
Current assets	30,814,821	2,503,283	172,034	1,011,271	132,482	34,633,891
Non-current assets	5,010,409	-	1,345,541	4,269,929	-	10,625,879
Total assets	35,825,230	2,503,283	1,517,575	5,281,200	132,482	45,259,770
Current liabilities	28,513,842	463,498	252,951	6,932,390	733,559	36,896,240
Non-current liabilities	20,136	-	-	58,592,138	-	58,612,274
Total liabilities	28,533,978	463,498	252,951	65,524,528	733,559	95,508,514
For the year ended December 31, 2016						
	Gravitas Ilium Corporation	Claxton Real Estate Company Ltd.	Branson Corporate Services Inc.	The Mint Corporation	Revenue.com	Total
	\$	\$	\$	\$	\$	\$
Total comprehensive (loss) income allocated to NCI	(1,018,536)	306,971	42,036	(3,769,982)	(294,528)	(4,734,039)
Accumulated NCI	3,342,983	2,241,671	6,852	(4,137,304)	(294,582)	1,159,620
December 31, 2015						
	Gravitas Ilium Corporation	Claxton Real Estate Company Ltd.	Branson Corporate Services Inc.	The Mint Corporation	Total	
	\$	\$	\$	\$	\$	
Proportion of ownership interest and voting rights held by NCI		50%	58%	49%	36.5%	
Current assets		7,807,881	512,281	101,669	12,444,323	
Non-current assets		382,832	7,779,623	10,000	12,136,797	
Total assets		8,190,713	8,291,904	111,669	24,581,120	
Current liabilities		171,202	577,444	67,977	4,833,346	
Non-current liabilities		129,582	4,662,862	115,496	63,039,699	
Total liabilities		300,784	5,240,306	183,473	67,873,045	
For the year ended December 31, 2015						
Total comprehensive (loss) income allocated to NCI		(31,891)	(37,590)	20,225	(3,718,168)	(3,767,424)
Accumulated NCI		3,944,964	1,934,700	(35,184)	(3,149,848)	(2,694,632)

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 8. INTERESTS IN SUBSIDIARIES - CONTINUED

Total assets, liabilities and results of operations of Claxton are those that remain after the sale of the Palm Valley property and its related mortgage.

No dividends were paid to the NCI's during the years ended December 31, 2016 and 2015.

On June 30, 2016, the Mint Corporation issued 51,379,952 common shares for aggregate gross proceeds of \$2,568,998 as a rights offering wherein shareholders of the Mint Corporation were entitled to subscribe for one common share at \$0.05 per share for each share held as of June 3, 2016. The Company subscribed for 46,815,277 of additional shares for an investment of \$2,340,764. Non-controlling shareholders subscribed for the remaining 4,564,721 shares for net proceeds of \$228,234. As a result, the Company's ownership interest in the Mint Corporation increased from 63.5% to 76.75% of the issued and outstanding shares of Mint. The incremental investment in Mint resulted in a decrease in the equity deficit attributable to the non-controlling shareholders and as required under IFRS 10, Consolidated Financial Statements, an adjustment of \$1,851,809 has been recorded in the consolidated statement of changes in equity to reduce the non-controlling interest. In December, 2016, the Company exercised 10,000,000 warrants to purchase 10,000,000 common shares of Mint for a total exercise price of \$500,000 (\$0.05 per common share). As a result, the Company's ownership interest in Mint Corporation increased from 74.9% to 76.75%. The incremental investment in Mint resulted in an increase in the equity deficit attributable to the non-controlling shareholder, an adjustment of \$357,664 has been recorded in the consolidated statement of changes in equity for a total of \$2,209,473.

For the year ended December 31, 2016					
	Gravitas Ilium Corporation	Claxton Real Estate Company Ltd.	Branson Corporate Services Inc.	The Mint Corporation	Revenue.com
	\$	\$	\$	\$	\$
Net cash from (used) in operating activities	(2,364,056)	224,854	91,444	(3,708,790)	(396,904)
Net cash from (used) in investing activities	(951,954)	7,039,121	(149,000)	1,458,662	-
Net cash from (used) financing activities	826,212	(4,518,457)	72,195	2,366,653	-
Translation effect on cash	-	-	-	-	-
Net cash inflow (outflow)	(2,489,798)	2,745,518	14,639	116,525	(396,904)

For the year ended December 31, 2015				
	Gravitas Ilium Corporation	Claxton Real Estate Company Ltd.	Branson Corporate Services Inc.	The Mint Corporation
	\$	\$	\$	\$
Net cash from (used) in operating activities	(28,402)	139,614	34,895	(3,589,579)
Net cash from (used) in investing activities	(60,000)	(139,614)	7,475	(7,326,882)
Net cash from (used) financing activities	8,129,582	-	(1,100)	10,425,710
Translation effect on cash	-	-	-	(32,791)
Net cash inflow (outflow)	8,041,180	-	41,270	(523,542)

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 9. GUARANTEED INVESTMENT CERTIFICATES

	December 31, 2016 \$	December 31, 2015 \$
Guaranteed investment certificate, 1.41%, maturing on January 2016	-	89,000
Guaranteed investment certificate, 1.35%, maturing on February 2016	-	5,000,000
Guaranteed investment certificate, 1.15%, maturing on October 2016	-	15,000,000
Guaranteed investment certificate, 1.30%, maturing on March 2017	5,949,971	-
Guaranteed investment certificate, 1.05%, maturing on April 2017	508,500	-
Guaranteed investment certificate, 1.05%, maturing on April 2017	200,000	-
Guaranteed investment certificate, 0.50%, maturing on July 4, 2017	500,000	-
Treasury bill, approximately 1.50%, maturing on January 26, 2017*	250,255	-
Guaranteed investment certificate, 0.95%, maturing on October 2017	226,000	-
Guaranteed investment certificate, 1.30%, maturing on March 2017	1,045,213	-
	8,679,939	20,089,000

* The treasury bill is restricted as the Company is required to maintain this amount with its carrying broker to secure payment of any amounts due.

NOTE 10. TRADE AND OTHER RECEIVABLES

	December 31, 2016 \$	December 31, 2015 \$
Trade receivables (b)	2,354,420	730,179
Less: Allowance for doubtful accounts	(235,235)	(251,697)
	2,119,185	478,482
Royalty receivables	243,307	238,686
Interest receivable	1,085,718	473,030
Harmonized sales tax receivables	617,477	393,233
Advances to related companies, non-interest bearing, due on demand (a)	460,031	943,331
Advances to related companies at 8% per annum (a)	300,000	-
Other	176,748	15,317
	5,002,466	2,542,079

	December 31, 2016 \$	December 31, 2015 \$
As of January 1	251,697	205,492
Provision for impairment of trade receivables	146,396	131,205
Receivables written off during the period as uncollectible	(162,858)	(85,000)
	235,235	251,697

(a) The Company has advanced \$695,860 (December 31, 2015 - \$753,905) to the Limited Partnerships managed by two of the Company's subsidiaries.

(b) Trade receivables include \$80,950 due from related entities.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 11. PROPERTY AND EQUIPMENT

	Equipment \$	Leasehold improvement \$	Building \$	Land \$	Total \$
Cost					
Balance as at December 31, 2014	212,583	31,405	-	-	243,988
Additions	23,525	-	-	-	23,525
Acquisition through business acquisition	-	-	7,409,127	370,496	7,779,623
Transferred to discontinued operations (Note 6)	-	-	(7,409,127)	(370,496)	(7,779,623)
Disposals	(974)	-	-	-	(974)
Balance as at December 31, 2015	235,134	31,405	-	-	266,539
Additions	143,355	1,575	-	-	144,930
Disposals	(907)	-	-	-	(907)
Balance as at December 31, 2016	377,582	32,980	-	-	410,562
Accumulated amortization					
Balance December as at 31, 2014	64,317	5,337	-	-	69,654
Amortization	43,196	4,979	-	-	48,175
Balance as at December 31, 2015	107,513	10,316	-	-	117,829
Amortization	52,437	5,793	-	-	58,230
Balance as at December 31, 2016	159,950	16,109	-	-	176,059
Carrying amount					
Balance as at December 31, 2015	127,621	21,089	-	-	148,710
Balance as at December 31, 2016	217,632	16,871	-	-	234,503

NOTE 12. EQUITY INVESTMENTS AND OTHER

	December 31, 2016 \$	December 31, 2015 \$
Available for sale		
Investments in quoted companies		
Common shares	6,859,588	3,528,722
Investment in private companies, at cost		
Common shares	604,932	218,292
Preferred shares	1,806,792	1,218,059
FVTPL		
Options	32,784	19,998
Warrants	2,147,905	1,081,775
Amortized cost		
Debentures	424,183	370,393
Other		
Investments in funds and JV	1,733,029	-
Mining properties	1	1
	13,609,214	6,437,240

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 12. EQUITY INVESTMENTS AND OTHER - CONTINUED

Common shares

The fair value of the common shares in quoted companies was based on closing prices ranging from \$0.01 to \$2.84 per share as at December 31, 2016 (\$0.01 to \$0.73 per share as at December 31, 2015). The fair value of investments in common shares of private companies is determined based on cost less impairment. Investments in common shares are classified as available for sale ("AFS").

Options

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

	December 31, 2016	December 31, 2015	
		Range	Weighted Average
Fair value	\$0.10	\$0 to \$0.44	\$0.04
Stock price	\$0.10	\$0.05 to \$ 2.12	\$0.35
Expected life in years	0.16	0.07 to 1.16	0.75
Volatility	139%	65% to 212%	190%
Discount Rate	0.76%	0.48%	0.48%

Warrants

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

	December 31, 2016		December 31, 2015	
		Weighted Average	Range	Weighted Average
Fair value	\$0 to \$0.503	\$0.52	\$0 to \$0.776	\$0.09
Stock price	\$0.10 to \$8.00	\$0.25	\$0.10 to \$ 1.60	\$0.27
Expected life in years	0.05 to 8.93	2.54	0.01 to 9.95	3.67
Volatility	0% to 853%	117%	0% to 745%	173%
Discount Rate	0.75% to 87%	0.71%	0.48% to 0.50%	0.50%

The warrants in the investment banking subsidiaries were calculated using the Black-Scholes option-pricing model, the key assumptions are as follows:

	Range	Weighted Average
Stock price	\$0.02 to \$ 2.12	\$0.70
Expected life in years	0.48 to 7.44	2.61
Volatility	12% to 180%	90%
Discount Rate	0.73% to 1.02%	0.79%

Debentures

In February 2015, the Company invested in a secured non-convertible debenture in SQI Diagnostic Inc. ("SQD"), an unrelated, publicly listed company in Canada, for an amount of \$186,000. The debentures bear an interest rate of 10% payable annually and mature on February 20, 2020. As part of the investment, the Company received 186,000 warrants of SQD. Each warrant entitles the holder to acquire one common share of SQD at an exercise price of \$0.60 per share until February 20, 2020. The initial value of the debenture is determined by measuring the fair value of the warrants and assigning the residual value to the debenture component. Subsequently, the

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 12. EQUITY INVESTMENTS AND OTHER – CONTINUED

debenture component is measured at amortized cost using the effective interest method over the term of the debenture. The debenture component will be accreted to the face value of the debenture by the recording of additional interest income using an effective interest rate of 22.77%. The fair value of the warrant of \$69,923 was estimated using the Black Scholes pricing model with the following assumptions: an expected volatility of 107%; a risk free interest rate of 0.057%; an expected unit life of five years; no expected dividend yield; and a share price of \$0.50. As at December 31, 2016, the carrying value of the debenture component is \$133,721 (December 31, 2015 - \$123,317).

In February 2015, the Company invested in a secured non-convertible debenture in Enerdynamic Hybrid Technologie Corp. (“EHT”), an unrelated publicly listed company in Canada, for an amount of \$290,000. The debenture bears an interest rate of 18% payable annually and mature on July 3, 2017. As part of the investment, the Company received 116,000 common shares of EHT. The initial value of the debenture is determined by measuring the fair value of the common shares and assigning the residual value to the debenture component. Subsequently, the debenture component is measured at amortized cost using the effective interest method over the term of the debenture. The debenture component will be accreted to the fair value of the debenture by recording of additional interest income using an effective interest rate of 30.63%. The fair value of the common shares of \$53,360 was determined using the share price of \$0.46 at the time of issuance. At December 31, 2016, the carrying value of the debenture component is \$273,461 (December 31, 2015 - \$247,076).

Preferred shares

On June 12, 2015, New India Investment Corporation (“NIC”), a wholly owned subsidiary of the Company, made a \$1,218,059 (US\$981,000) investment in Innoviti Payments Solutions Private Limited (formerly Innoviti Embedded Solutions PV Limited), a private company incorporated in Bengaluru, India under the Indian Companies Act. The Company acquired 452,061 Series C Preferred shares. These preferred shares are compulsorily convertible into common shares on a 1:1 basis within three years and carried a cumulative dividend at 0.1%. NIC has the right to acquire, at its option within twelve months after first closing, an additional 226,030 Series C Preferred shares and exercised this right on April 21, 2016 with an additional investment of \$588,733 (approximately US\$475,000) on May 16, 2016. The Company’s investment represents ownership of approximately 7.3% of Innoviti.

Investment Fund

The Company has invested \$999,422 in units of Gravitas Special Situations Fund, an unconsolidated limited partnership called Gravitas Special Situations Limited Partnership or (“GSSLP”) (formed on April 5, 2016). This investment is classified as a FVTPL investment on the statements of financial position. This investment is GSSLP’s Class O units. During the year ended December 31, 2016, the share of increase in net assets attributable to Class O limited partners was \$733,607. The net asset value allocated to Class O units as at December 31, 2016, was \$1,733,029. Gravitas Special Situations GP Inc., a 80% subsidiary is the general partner of GSSLP. As per the stipulations of the confidential information memorandum (dated April 11, 2016), 99.99% of the Net Income or Net Loss shall be allocated to Limited Partners of GSSLP. The manager of GSSLP is Gravitas Securities Inc. (the Company’s subsidiary). The Limited Partners in GSSLP are not entitled to participate in the control of GSSLP. As per the confidential information memorandum, the Company is considered to be the promoter of GSSLP

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 12. EQUITY INVESTMENTS AND OTHER – CONTINUED

Investment in joint venture (equity pick-up)

On October 17, 2016, the Company signed with Grenville Strategic Royalty Corp (“GSRC”), a license and transaction management agreement and a unanimous shareholder’s agreement (together referred to as the “Agreements”). Under the Agreements, a joint venture legal entity was formed called Foregrowth-Grenville Investments Inc. (“FGII”), a company incorporated on October 6, 2016 having its principal place of business in Toronto, Ontario. FGII has the right to co-invest in each new royalty investment made by GSRC and has been granted, limited, non-exclusive, non-assignable, non-transferable right to use, with no right to sub-license, specified intellectual property of GSRC. The Company, via its 50% indirect ownership of Foregrowth Holdco Inc., holds 85% of the shares of FGII and is entitled to 85% of the cash distributions made by FGII. The Company nominates one of the two board members of FGII. Decisions made in FGII require unanimous consent by the directors and when required, the shareholders. GSRC will manage the operational activities of FGII. Under the license agreement with FGII, GSRC is entitled to a license fee based on 1% of the amount invested (payable at the date of the investment) and 1% on the total outstanding invested amount (payable monthly). The Company will not be liable to FGII or any other party for any losses incurred from co-investing in the royalty investments. Under the unanimous shareholders’ agreement, the Company has contracted that all investments made by FGII in royalty investments and all costs and expenses of FGII are to be financed by way of loans or revolving credit facilities arranged by them. The Company has accounted for its investment in joint venture based on the equity method.

The following table summarizes the financial information of FGII as included the Company’s financial statements and reconciles the summarized financial information to the carrying amount of Foregrowth Holdco Inc.’s interest in FGII:

	December 31, 2016 \$	December 31, 2015 \$
Percentage ownership interest (owned by FGII)	85%	-
Royalty agreement acquired	355,338	-
Current assets	206,651	-
Current liabilities	(673)	-
Non-current liabilities	(560,460)	-
Net assets	856	-
Companies share of net assets and carrying amount of interest	728	-
Revenue	7,986	-
Operating expenses	(4,195)	-
Interest expense	(2,626)	-
Income tax	(309)	-
Profit and comprehensive income	856	-
Companies share of profit and comprehensive income	728	-
Dividends received by the company	-	-

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 13. INVESTMENTS IN ASSOCIATES

	December 31, 2016 \$	December 31, 2015 \$
Balance, beginning of the period	8,577,253	5,528,607
Additional working capital funds invested in Mint UAE Operations	1,731,370	4,236,850
Advances to Mint Gateway	1,582,143	970,830
Additional amounts loaned to associates	142,000	-
Reclassification due to acquisition of significant influence	-	418,229
Dividends received	(380,000)	(373,600)
Share of results in associates	(1,279,125)	(1,787,731)
Impairment	(142,000)	(415,932)
Balance, end of period	10,231,641	8,577,253

Portfolio Analysts Inc.

The Company owns a 40% interest in the issued and outstanding shares of Portfolio Analysts Inc. ("PAI") giving it significant influence over PAI's operations. The Company has a cost of \$3,408,739 (2015 - 3,642,081) in PAI. Management does not have the current ability to control the key operating activities of PAI, therefore, it does not have control and does not consolidate the results of PAI. The Company accounts for its investment in PAI using the equity method. PAI is a 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. The fiscal year end of PAI is September 30.

Mint UAE Operations and MGEPS

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

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

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

During the year ended December 31, 2016, the Company invested additional working capital funds of \$1,731,370 (\$4,236,850 for the year ended December 31, 2015) in the Mint UAE Operations.

During the year ended December 31, 2016, the Company advanced an additional US\$1,200,000 (\$1,582,143) to MGEPS (2015 - US\$700,000 (\$970,830)), an associate of the Company. This loan bears interest at 4.5% and matures on October 23, 2018 (see Note 28).

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 14. LOAN RECEIVABLES

	December 31, 2016 \$	December 31, 2015 \$
Secured Loans	3,198,126	3,683,590
Unsecured Loans	289,055	2,470,006
Forgivable loan	542,265	-
Impairment	(104,055)	(590,415)
Balance, end of the year	3,925,391	5,563,181
Less: current portion	(3,240,687)	(1,089,421)
Non-current portion	684,704	4,473,760

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

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

These loan receivables bear interest from 4% to 12.0% per annum and mature from December 2016 to April 2019. Secured loans are secured under general security agreements.

Forgivable loans

With the acquisition of the 2242 (see note 7), the Company assumed the practice whereby employees that meet certain conditions, would be entitled to an interest free forgivable loans (the "Loans"). Under the terms of the Loans, the Company will forgive 14.3% of the principal amount of each loan annually on each anniversary date. If the employee terminates its employment, the employee is obligated to repay the balance, if any, of their respective Loans. For financial statement purpose, the Company amortizes the original amount of the loan on a straight-line basis over the seven-year term of the loans.

	\$
Cost	559,050
Less: accumulated amortization	(16,785)
Carrying value	542,265
	\$
Net loans assumed on acquisition as at October 1, 2016	359,050
New loans issued	200,000
Less: accumulated amortization	(16,785)
Net loan balance at December 31, 2016	542,265

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 15. CONVERTIBLE DEBENTURES

	December 31, 2016 \$	December 31, 2015 \$
Secured, with a face value ranging from \$200,000 to \$1,250,000 (\$100,000 to \$1,250,000 in 2015), maturity on July 16, 2016 to June 1, 2021 (December 17, 2015 to June 30, 2019 in 2015) and bearing interest at 6% to 10.5% (6% to 14% in 2015)	1,780,940	1,879,446
Secured, with a face value ranging from US\$100,000 to US\$400,000 (US\$227,000 to US\$400,000 in 2015), maturity ranging from March 17, 2017 to December 9, 2018 (January 31, 2018 to December 9, 2018 in 2015) and interest rates from 6% to 10% (6% to 8% in 2015)	661,166	369,359
Unsecured, with a face value ranging from \$17,000 to \$250,000 (\$17,000 to \$250,000 in 2015), maturity ranging from November 24, 2016 to August 14, 2019 (November 24, 2016 to August 14, 2019 in 2015) and interest rates from 6% to 12% (6% to 12% in 2015)	532,045	493,582
	2,974,151	2,742,387
Conversion feature	1,640,524	1,162,238
	4,614,675	3,904,625
Less: reclassification due to acquisition of significant influence	-	(250,000)
Less accumulated impairment	(1,121,777)	(1,044,623)
Balance, end of the period	3,492,898	2,610,002
Less: current portion	(420,583)	(319,376)
Non-current portion	3,072,315	2,290,626

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

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

The change in the fair value of the conversion was recorded an increase of \$322,743 recognized in the consolidated statement of loss and comprehensive loss.

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

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

The fair value of the conversion feature of \$1,640,524 as at December 31, 2016 (December 31, 2015 - \$1,114,416) was estimated using the Black Scholes option pricing model based on the following assumptions:

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 15. CONVERTIBLE DEBENTURES - CONTINUED

	December 31, 2016	December 31, 2015
Weighted average conversion price	\$0.63	\$0.55
Expected dividend yield	0%	0%
Expected average volatility	164%	222%
Risk-free average interest rate	0.76%	0.56%
Expected average life (years)	1.69	1.88
Weighted average fair value	\$0.25	\$0.23

NOTE 16. INTANGIBLE ASSETS

	Net smelter royalty \$	Brand names and Licenses \$	Proprietary Software \$	Proprietary Software and Option to sell assets \$	Backlog and Customer Relationships \$	Total \$
Balance, December 31, 2014	1,245,760	246,272	-	-	-	1,492,032
Balance, December 31, 2015	1,245,760	246,272	-	-	-	1,492,032
Acquisitions	-	1,262,321	40,902	200,139	257,040	1,760,402
Balance, December 31, 2016	1,245,760	1,508,593	40,902	200,139	257,040	3,252,434
Accumulated amortization						
Balance, December 31, 2014	533,898	-	-	-	-	533,898
Amortization	355,933	-	-	-	-	355,933
Balance, December 31, 2015	889,831	-	-	-	-	889,831
Amortization	355,930	46,614	10,226	100,070	40,460	553,300
Impairment	-	578,636	-	-	-	578,636
Balance, December 31, 2016	1,245,761	625,250	10,226	100,070	40,460	2,021,767
Carrying amount						
Balance, December 31, 2015	355,929	246,272	-	-	-	602,201
Balance, December 31, 2016	-	883,343	30,676	100,069	216,580	1,230,667

As a result of the continuing losses at the Company and its subsidiaries, at December 31, 2016, the Company impaired the value of its intangible brand name and recognized an impairment loss of \$578,636 during the year ended December 31, 2016 (Note 25).

	Goodwill
Balance, December 31, 2014 and 2015	-
Goodwill acquired - Revenue.com	445,701
Goodwill acquired - 2242	3,366,877
Goodwill acquired - Elitify	746,676
Impairment of Revenue.com goodwill	Note 7 (445,701)
Impairment of Elitify goodwill	Note 7 (746,676)
Balance December 31, 2016	3,366,877

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 17. TRADE AND OTHER PAYABLES

	December 31, 2016 \$	December 31, 2015 \$
Trade payables	3,747,469	1,555,128
Interest payables	1,365,567	1,393,755
Due to related companies, non-interest bearing, due on demand	11,635	42,837
Due to non-controlling interest, non-interest bearing, due on demand	16,201	16,201
	5,140,872	3,007,921

Amounts due to related companies are payables to companies in which there is a common director.

NOTE 18. LOAN

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

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

As at December 31, 2016, this loan has been assumed by the purchaser of the Claxton property.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 19. DEBENTURES

	Mint Series VII (a)	Mint Series A (b)	Mint Series B (c)	Mint Series C (d)	Gravitas #1 (e)	Gravitas #2 (f)	Total deficit
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	421,002	41,571,693	4,165,109	-	29,717,404	53,021,365	128,896,573
Issued	-	-	-	10,000,000	-	-	10,000,000
Issuance costs	-	-	-	(367,250)	-	-	(367,250)
Fair value of broker warrants issued	-	-	-	(18,650)	-	-	(18,650)
Repayment/settlement of debentures	(497,700)	-	(209,340)	-	-	-	(707,040)
Gain on repayment/settlement of debentures	-	-	(105,004)	-	-	-	(105,004)
Accretion of interest	76,698	1,984,905	309,399	74,097	100,284	103,574	2,648,957
	(421,002)	1,984,905	(4,945)	9,688,197	100,284	103,574	11,451,013
Balance, December 31, 2015	-	43,556,598	4,160,164	9,688,197	29,817,688	53,124,939	140,347,586
Debt restructuring	-	3,583,429	-	-	-	-	3,583,429
Repayment/settlement of debentures	-	-	(689,500)	-	-	-	(689,500)
Gain on settlement of debentures	-	-	(750,940)	-	-	-	(750,940)
Accretion of interest	-	1,145,232	610,688	118,682	107,474	111,827	2,093,903
	-	4,728,661	(829,752)	118,682	107,474	111,827	4,236,892
Balance, December 31, 2016	-	48,285,259	3,330,412	9,806,879	29,925,162	53,236,766	144,584,478
Less: Current portion	-	-	(3,330,412)	-	-	-	(3,330,412)
Non-current portion	-	48,285,259	-	9,806,879	29,925,162	53,236,766	141,254,066

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 19. DEBENTURES - CONTINUED

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

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

- (c) Series B debentures have a face value of \$3,452,000 and carrying a simple interest at 2% per annum payable quarterly on March 7, June 7, September 7 and December 7 each year in cash. Series B debentures were issued in March 2014 and can be redeemed at any date subject to paying a "bonus interest", such that the interest paid and payable on the redeemed amounts aggregates to 12% per annum for the period outstanding. Series B debentures can be extended for an additional two (2) years at the Company's option at an interest rate of 12% per annum. These debentures are secured by Mint's assets and are subordinated to the Series A debenture and guaranteed by MME LLC.

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

During the current year ended December 31, 2016, the Company purchased and cancelled Series B debentures of face value of \$1,268,000 for a cash payment of \$689,500 and recognized a gain on settlement of \$750,940.

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

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 19. DEBENTURES - CONTINUED

- (e) Debentures #1 have a face value of \$30,023,000 and carry a simple interest at 3.5% payable quarterly, commencing December 31, 2014. The debentures are redeemable on December 3, 2017. The Company has the option to extend the maturity date for a further term of three (3) years upon written notice and the payment of a renewal fee equal to one (1%) percent of the outstanding principal amount due as of the maturity date under the same conditions. These debentures are secured by a first ranking lien over the collateral assets of Gravitas, subject to; (i) the security interest previously granted and registered in respect to the debenture of \$54,022,000 issued in June 2013; and (ii) any specified priority encumbrances that may be incurred during the term of the indenture and the debenture.
- (f) Debentures #2 have a face value of \$54,022,000 and carry a simple interest at a rate to the greater of: (i) three percent (3%) per annum; or (ii) an amount as is equal to eighty percent (80%) of the earnings before interest expense and tax ("EBIT") on a consolidated basis, subject to an aggregate maximum amount of eight percent (8%) per annum. The base three percent (3%) interest payable shall be payable quarterly, commencing June 30, 2013, with the annual adjustment made based on the aforementioned net earnings calculation annually and paid out on April 30 of each year. The debentures are redeemable at par value on June 23, 2023. The term of the debentures is ten (10) years, renewable for an additional ten (10) year period upon the payment of a renewal fee equal to one percent (1%) of the principal amount of the debentures outstanding at the date of the renewal. Upon any such renewal, the rate of interest on the debentures shall be adjusted such that the minimum interest rate shall be equal to the Government of Canada ten (10) year bond rate, plus five percent (5%). For the year ended December 31, 2016, the Company paid an interest rate of three percent (3%). These debentures are secured by Gravitas' assets.

NOTE 20. SHARE CAPITAL

Share capital

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

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

Share capital

Unlimited number of common shares voting and participating.

Warrants

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

Warrants issued	Number of warrants	Grant date	Expiry date	Exercise price (\$)
Balance, January 1, 2015	10,776,929			0.22
Broker warrants issued on 23/06/2015	500,000	23/06/2015	23/06/2018	0.05
Issued on 23/06/2015	10,000,000	23/06/2015	23/12/2016	0.05
Exercised on 23/12/2016	(10,000,000)	23/06/2015	23/12/2016	(0.05)
	11,276,929			0.22

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 20. SHARE CAPITAL - CONTINUED

On June 30, 2016, The Mint Corporation issued 51,379,952 common shares for an aggregate gross proceeds of \$2,568,998 as a rights offering, wherein Mint shareholders were entitled to subscribe for one common share at \$0.05 per share for each share held. The Company subscribed for 46,815,277 shares of Mint for \$2,340,764 and as a result increased its ownership interest in Mint from 63.5% to 74.9%.

On December 23, 2016, Gravitas exercised the Mint warrants for \$500,000, which increased its ownership interest in Mint from 74.9% to 76.75%.

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

NOTE 21. SHARE-BASED PAYMENT

Share option plan

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

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

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options. As at December 31, 2016, the Company has no stock options outstanding.

NOTE 22. INTEREST REVENUE

	For the years ended	
	December 31,	
	2016	2015
	\$	\$
Interest on bank	226,821	248,827
Interest on guaranteed investment certificates	133,549	442,175
Interest on loan receivables	713,709	380,245
Interest on debentures	71,039	42,796
Interest on convertible debentures	274,657	222,117
Accretion on convertible debentures	506,971	329,338
Accretion on loans	45,579	82,364
Accretion on debentures	36,790	17,676
	2,009,115	1,765,538

Gravitas Financial Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 23. INTEREST EXPENSE

	For the years ended December 31,	
	2016	2015
	\$	\$
Interest on debentures	4,979,228	6,232,679
Accretion of interest	2,093,904	2,648,957
Interest on current liabilities and bank charges	134,733	43,421
	7,207,865	8,925,057

NOTE 24. LOSS (GAIN) ON SETTLEMENT

	For the years ended December 31,	
	2016	2015
	\$	\$
Loss (gain) on settlement of receivables	(53,798)	11,931
Loss on settlement of loan	-	256,771
(Gain) on settlement of debenture	(698,120)	(55,004)
Loss on settlement of convertible debenture	-	58,000
Loss (gain) for the period	(751,918)	271,698

NOTE 25. IMPAIRMENT

	For the years ended December 31,	
	2016	2015
	\$	\$
Impairment of investments in associates	142,000	415,932
Impairment of loans	1,027,114	590,415
Impairment (recovery) of convertible debenture (Note 15)	79,229	1,044,623
Reclassification of impairment to net loss	231,824	583,180
Impairment of brand name (Note 7)	578,637	-
Impairment of goodwill of Revenue.com (Note 7)	445,701	-
Impairment of goodwill (Note 7 and 16)	746,676	-
	3,251,181	2,634,150

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 26. INCOME TAXES

The following table shows the components and deferred tax expense:

	For the years ended December 31,	
	2016 \$	2015 \$
Current tax expense		
Prior year adjustments	-	1,157
	-	1,157

Relationship between expected tax expense and accounting net earnings (loss)

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive income can be reconciled as follows:

	For the years ended December 31,	
	2016 \$	2015 \$
Expected income tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.50%	(4,641,083)	(3,869,573)
Expiry of losses on dissolution of corporation	1,182,310	-
Prior year adjustments	709,563	(906,498)
Reduction of non-capital losses on forgiven debt	(153,303)	-
Non-deductible expenses	524,286	527,513
Tax rate changes and other adjustments	382,575	-
Non-taxable portion of dividend	(49,502)	(49,502)
Changes in unrecognized temporary differences	2,045,154	4,299,217
Income tax expense	-	1,157

Recognized deferred tax assets and liabilities

The following differences between the carrying amounts and tax bases from timing differences given rise to the following recognized deferred income tax assets and liabilities:

	For the years ended December 31,	
	2016 \$	2015 \$
Equity investments and other	(350,834)	(4,684)
Loan receivables	-	(1,594)
Convertible debentures	(214,528)	(169,043)
Intangibles	(211,666)	(94,321)
Non-capital losses	565,362	269,642

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 26. INCOME TAXES - CONTINUED

	(211,666)	-
--	------------------	----------

The Company has the following timing differences for which no deferred income tax has been recognized:

	For the years ended	
	December 31,	
	2016	2015
	\$	\$
Property and equipment	206,847	174,095
Investments	7,588,405	10,619,764
Mining properties	139,780	1,967,872
Convertible debentures	761,991	719,872
Issuance costs of equity instruments	1,921,011	2,262,310
Capital loss carry forwards	4,042,688	82,242
Non-capital losses carried forward	59,777,712	55,986,949
Other	-	903
	74,994,625	71,813,174

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years:

	For the years ended	
	December 31,	
	2016	2015
	\$	\$
2024	1,040,877	23,360
2025	557,157	557,157
2027	999,807	999,807
2028	304,989	412,431
2029	3,201,073	3,672,091
2030	4,578,299	4,578,299
2031	1,431,746	1,814,776
2032	4,836,830	6,754,914
2033	14,269,708	16,852,200
2034	11,840,954	10,090,570
2035	9,689,015	10,231,344
2036	9,160,698	-
	61,911,153	55,986,949

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 27. ADDITIONAL INFORMATION - CASH FLOWS

The changes in working capital items are detailed as follows:

	For the years ended December 31,	
	2016	2015
	\$	\$
Trade and other receivables	(2,160,456)	(1,528,550)
Receivable from brokers and clients	(1,858,103)	-
Prepaid expenses	16,133	(249,768)
Inventory	32,307	283,297
Trade and other payables	728,973	888,471
Payable to brokers and clients	1,858,103	-
Customer deposits	198,971	113,329
	(1,184,072)	(493,221)

Cash from interest and income taxes are as follows:

	For the years ended December 31,	
	2016	2015
	\$	\$
Interest paid	(5,325,454)	(6,515,323)
Interest received	811,106	1,230,921
Income taxes paid	-	(1,157)

NOTE 28. RELATED PARTY TRANSACTIONS

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

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

Transactions with key management personnel

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

	For the years ended December 31,	
	2016	2015
	\$	\$
Transactions with key management personnel		
Salaries and management fees	969,716	796,500
Consulting and professional fees	-	231,179
General and administrative	176,000	184,500
	1,145,716	1,212,179

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 28. RELATED PARTY TRANSACTIONS - CONTINUED

Transactions with companies controlled by key management		
Consulting and professional fees	578,500	1,053,260
	578,500	1,053,260
Total	1,724,216	2,265,439

For the year ended December 31, 2016, the Company incurred legal fees of \$122,173 (December 31, 2015 - \$229,381) from a legal firm in which the former Chief Executive Officer ("CEO") and current director is a partner.

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

During the year ended December 31, 2016, management and consulting charges paid to Global Business Services ("GBS"), the owner of the remaining 49% interest in Mint UAE Operations in connection with the Management Agreement, aggregated to \$518,794 (UAE Dirham 1,440,000) (December 31, 2015 - \$500,976 (UAE Dirham 1,440,000)). These amounts were incurred and recorded in Mint UAE Operations and are included in the Company's share of losses of associates on the consolidated statement of loss and comprehensive loss.

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

As at October 1, 2016, the date the Company acquired control of 2242 (note 7), the Company had advanced \$4,418,562 (December 31, 2015 - \$2,786,000) to 2242. This loan bears interest at 6% and matures on October 31, 2018. This amount is recorded as loan receivables on the Company's consolidated statement of financial position in 2015 and is now eliminated upon acquisition.

During the period through October 1, 2016, the Company has paid \$225,000 to Gravitas Securities Inc., a subsidiary of 2242. In addition, the Company also pays rent of \$33,825 per month to 2242.

During the year ended December 31, 2016, the Company and its subsidiaries paid \$52,550 (December 31, 2015 - \$10,060) to a company ("Soigne Technologies Inc."), in which an employee has an interest.

As at December 31, 2016, the amounts due to related companies in which there are common directors were \$11,635 (as at December 31, 2015 - \$42,837).

During the current year, the Company advanced \$85,000 to a director and officer of Gravitas International Corporation, a 50% subsidiary of the Company and \$175,000 to an officer of Gravitas Securities Inc. Interest at 4% and 6%, respectively per annum on these loans aggregated to \$6,899 at December 31, 2016 and is payable at maturity.

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 29. FINANCIAL INSTRUMENTS

Fair value

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

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

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

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

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

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

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

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Common shares in quoted companies	6,859,588	-	-	6,859,588
Options	-	32,784	-	32,784
Warrants	-	2,147,905	-	2,147,905
Investment funds	-	1,733,029	-	1,733,029
Conversion feature of debentures	-	1,640,524	-	1,640,524
	6,859,588	5,554,242	-	12,413,830

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 29. FINANCIAL INSTRUMENTS - CONTINUED

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

There have been no transfers between Level 1 and 2 in the year ended December 31, 2016.

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

NOTE 30. CAPITAL MANAGEMENT

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

	December 31, 2016 \$	December 31, 2015 \$
Debtentures	144,584,478	140,347,586
Equity deficiency	(74,360,341)	(59,228,781)
	70,224,137	81,118,805

There has been no change with respect to the overall capital management strategy during the year ended December 31, 2016.

NOTE 31. FINANCIAL RISKS

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

Credit risk

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

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 31. FINANCIAL RISKS - CONTINUED

	December 31, 2016 \$	December 31, 2015 \$
Cash and cash equivalents	27,681,208	34,427,311
Guaranteed investment certificates	8,679,939	20,089,000
Trade and other receivables	5,002,466	2,542,079
Debenture	424,183	370,393
Loans receivable (Note 14)	3,925,391	5,563,181
Convertible debentures (Note 15)	3,492,898	2,610,002
	49,206,085	65,601,966

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

As at December 31, 2016, an amount of \$3,198,126 (2015 - \$2,201,094) in loans receivables and \$2,442,106 (2015 - \$2,201,094) in convertible debentures were secured by collateral or other credit enhancements.

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

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

Liquidity risk

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

The Company has current assets of \$68,364,212 which will be used to cover all operating and investing activities.

The expected timing of cash flows relating to financial liabilities as at December 31, 2016, are as follows:

	Less than 1 year \$	1-5 years \$	6-10 years \$	Total \$
Trade and other payables	5,140,872	-	-	5,140,872
Business acquisition cost payable	1,734,092	-	-	1,734,092
Debentures	3,452,000	89,042,962	54,022,000	146,516,962
	10,326,964	89,042,962	54,022,000	153,391,926

Also see the Company's commitments as disclosed in Note 32.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 31. FINANCIAL RISKS - CONTINUED

Market risk

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

Currency risk

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

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

	December 31, 2016 \$	December 31, 2015 \$
USD		
Cash and cash equivalents	3,452,565	6,446,282
Royalty receivables	243,307	250,022
Equity investments and other	910,074	1,789,202
Loan receivables	2,687,340	1,107,200
Convertible debentures	976,848	867,768
Loan payable	-	(6,453,401)
	8,270,134	4,007,073

The Company does not enter into arrangements to hedge its foreign exchange risk. A ten percent (10%) change in the United States dollar exchange rate would have increased the net loss by \$827,013 (\$400,707 for the year ended December 31, 2015).

Interest rate risk

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

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

Other price risk

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

As at December 31, 2016, a 10% decrease (increase) in the closing price of common shares held by the Company on the stock market would have increased the total comprehensive loss by \$685,959 (\$352,872 for the year ended December 31, 2015).

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 32. COMMITMENTS

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

	December 31, 2016 \$
Less than 1 year	152,439
1 to 5 years	190,549

The Company has committed to invest an aggregate of US\$6 million in the Mint UAE Operations to facilitate the completion of the IT infrastructure. As at December 31, 2016, Mint has advanced US\$4,500,000 and Gravitas has advanced US\$1,500,000 against this commitment.

NOTE 33. SEGMENTED INFORMATION

The Company operates in four segments as follows:

Services

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

Financial services

Financial services are operations in financial products and financial products distribution businesses, including investments in mutual fund, exempt market and IIROC registered dealers. Financial services are operated independently with their own management teams and require high levels of compliance and governance.

Strategic investments

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

Fast growing investments

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

Corporate

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 33. SEGMENTED INFORMATION – CONTINUED

For the year ended December 31, 2016	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
Revenues	1,918,655	2,454,728	300,525	1,007,475	1,594,822	(97,979)	7,178,226
Expenses							
Salaries and management fees	438,185	844,799	420,646	98,012	1,463,349	-	3,264,991
Consulting and professional fees	802,386	1,616,794	583,292	31,273	1,350,854	-	4,384,599
General and administrative	359,625	1,878,255	503,621	23,159	857,780	570,460	4,192,900
Interest expense	17,904	94,033	4,337,070	7,242	2,910,457	(158,841)	7,207,865
Exchange loss	-	1,953	14,747	(8,309)	279,133	-	287,524
Loss (gain) on settlement	(978)	-	(750,940)	-	-	-	(751,918)
Gain on disposal of available for sale investments	(448,441)	-	-	-	-	-	(448,441)
Change in fair value of convertible debentures - conversion feature	63,695	-	-	(442,733)	56,295	-	(322,743)
Change in fair value of FVTPL	12,406	(152,046)	(41,667)	(671,860)	19,537	-	(833,630)
Impairment	54,000	30,318	50,000	1,526,311	390,143	1,200,409	3,251,181
Debenture restructuring fee	-	-	3,583,429	-	-	-	3,583,429
Share of results in associates	-	(146,658)	1,425,783	-	-	-	1,279,125
Share of joint venture, net of tax	-	(728)	-	-	-	-	(728)
	1,298,782	4,166,720	10,125,981	563,095	7,327,548	1,612,028	25,094,154
Net earnings (loss) from continuing operations	619,873	(1,711,992)	(9,825,456)	444,380	(5,732,726)	(1,710,007)	(17,915,928)
Net earnings from discontinuing operations	-	-	(1,773,667)	-	-	1,227,628	(546,039)
Net earnings (loss)	619,873	(1,711,992)	(11,599,123)	444,380	(5,732,726)	(482,379)	(18,461,967)

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 33. SEGMENTED INFORMATION - CONTINUED

	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
As at December 31, 2016							
Total assets	1,516,560	29,587,326	5,235,483	1,865,899	73,007,741	(10,418,876)	100,794,133
Total liabilities	1,188,489	25,098,076	64,309,971	574,054	83,545,937	437,947	175,154,474
Investment in associates (contained within assets)	-	3,923,983	6,822,902	-	-	(515,244)	10,231,641
As at December 31, 2015							
Total assets	3,454,577	12,770,065	18,155,813	6,499,320	77,828,076	(29,084,686)	89,623,165
Total liabilities	5,530,913	4,997,978	69,606,971	5,317,839	84,031,181	(20,632,936)	148,851,946
Investment in associates	-	3,642,081	4,935,172	-	-	-	8,577,253

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 33. SEGMENTED INFORMATION - CONTINUED

For the year ended December 31, 2015	Services \$	Financial services \$	Strategic investments \$	Fast growing investments \$	Corporate \$	Intercompany transactions \$	Total \$
Revenues	1,223,968	28,489	167,726	348,612	2,065,584	(180,451)	3,653,928
Expenses							
Salaries and management fees	417,614	-	395,532	-	720,529	-	1,533,675
Consulting and professional fees	631,000	191,977	643,186	11,619	1,723,918	-	3,201,700
General and administrative	867,343	76,714	372,088	12,103	1,087,902	-	2,416,150
Interest expense	11,898	560	6,200,000	1,381	2,891,669	(180,451)	8,925,057
Exchange loss (gain)	1,383	-	(102,453)	(109,034)	(864,885)	-	(1,074,989)
Loss (gain) on settlement	53,669	-	(55,004)	209,637	63,396	-	271,698
Gain on disposal of available for sale investments	(445,510)	-	-	(183,218)	-	-	(628,728)
Loss on disposal of property and equipment	-	-	974	-	-	-	974
Change in fair value of convertible debentures - conversion feature	20,441	-	-	(313,733)	106,442	-	(186,850)
Change in fair value of FVTPL	20,272	(46,173)	-	(271,865)	(282,290)	-	(580,056)
Change in fair value of derivative warrant liability	-	-	(44,423)	-	-	-	(44,423)
Impairment	267,380	-	-	432,295	1,934,475	-	2,634,150
Share of results in associates	-	99,249	1,686,185	-	2,297	-	1,787,731
	1,845,490	322,327	9,096,085	(210,815)	7,383,453	(180,451)	18,256,089
Net earnings (loss) before income taxes	(621,522)	(293,838)	(8,928,359)	559,427	(5,317,869)	-	(14,602,161)
Current income taxes	-	-	-	1,157	-	-	1,157
Net earnings (loss) from continuing operations	(621,522)	(293,838)	(8,928,359)	558,270	(5,317,869)	-	(14,603,318)
Net earnings (loss) from discontinued operations	-	-	(64,811)	-	-	-	(64,811)
Net earnings (loss)	(621,522)	(293,838)	(8,993,170)	558,270	(5,317,869)	-	(14,668,129)

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 33. SEGMENTED INFORMATION – CONTINUED

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

	For the years ended	
	December 31,	
	2016	2015
	\$	\$
Revenues		
Canada	6,651,770	3,212,851
Africa	340,709	441,077
India	185,747	-
	7,178,226	3,653,928

	December 31,	December
	2016	31, 2015
	\$	\$
Non-current assets		
Canada	27,437,904	10,492,035
Africa	-	355,929
UAE	4,269,929	3,964,342
USA		7,717,484
India	722,088	-
	32,429,921	22,529,790

NOTE 34. COMPARATIVE FIGURES

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

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 35. SUBSEQUENT EVENTS

- a) The Company announced that through Trizac Holding LLC, it has advanced to Hafed Holding LLC, USD \$5.45 million as a deposit to secure the right to acquire a UAE Central Bank licensed financial company. The purchase price is 100 million UAE dirham (approximately USD \$27.25 million), of which approximately USD \$15 million is due at closing, subject to adjustments.

The Company and GBS have each agreed to provide USD \$7.5 million of funding to acquire the financial company and also agreed to fund another USD \$7.5 million each to satisfy ongoing UAE Central Bank capital reserve requirements. If the transaction were to close, the financial company on closing will have a cash balance of USD \$9.54 million.

In order to complete the acquisition of the financial company, the parties must obtain financing to fund the remaining portion of the purchase price, obtain UAE Central Bank approval, complete their due diligence and enter into definitive agreements. The participation of Mint in this transaction is also subject to stock exchange approval.

On April 28, 2017, the Company announced signing of a non-binding term sheet (the "Term Sheet"), under which Gravitas is to transfer its interest in this UAE Central Bank licensed financial company to Mint in exchange for a USD\$7.5 million secured promissory note. The security for the promissory note will be a general security agreement over the assets of Mint, ranking behind the debentures. The promissory note will bear interest at 6% per annum. The Term Sheet remains subject to execution of a definitive agreement, approval of the Series B debentures holders (see below) agreeing to the restructuring, agreement from GBS, and other regulatory approvals.

- b) The Term Sheet also included clauses whereby Mint's Series A and Series C debentures are to be replaced by \$20 million of debt, bearing a 10% per annum interest, maturing on December 31, 2021. The new debt is secured by a first position security interest in the assets of Mint, MME and Mint Capital LLC. The debenture-holders will also receive (a) 17,300,000 common shares of Mint, (b) 11,700,000 common share purchase warrants of Mint, and (c) subscription receipts to acquire 16,000,000 common shares of Mint for no additional consideration. Each warrant will be exercisable after two years and on or before the maturity date of the New Debt for one common share of Mint at an exercise price of \$0.10. The subscription receipts will automatically convert into 2,000,000 common shares of Mint, without payment of additional consideration, at the end of each of the first eight three-month periods following the issuance of the new debt (subject to adjustment if any of the New Debt is prepaid prior to that conversion date. As a result, the ownership interest of Gravitas in Mint is expected to be reduced to approximately 66.5% on a non-diluted basis and approximately 56.5% on a fully-diluted basis.

Gravitas Financial Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

The above is conditional upon Series B debentures being modified as follows:

- i. For every \$1,000 of principal and interest (including bonus interest) owing to a holder when the Series B debentures matured on March 7, 2017, the holder will receive \$340 principal amount of new Series B debentures (the "New Series B Debentures") and 750 common shares of Mint.
 - ii. The New Series B Debentures will mature on December 31, 2021. The New Series B Debentures will become due and payable within 30 days following a change of control of Mint (other than through a treasury issuance).
 - iii. The New Series B Debentures will bear interest at 10% per annum, commencing on the 2nd anniversary of the issuance of the New Series B Debentures, and payable quarterly thereafter. If Mint does not have sufficient funds to pay cash interest when required, the shortfall will be paid by the issuance of common shares of Mint.
- c) On April 1, 2017, Gravitas Ilium Corporation acquired 320 common shares of 2242257 Ontario Inc. from other shareholders for \$60,000; thereby increasing its ownership by 4% to 54.99%.