



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED APRIL 30, 2014**

**EXPRESSED IN CANADIAN DOLLARS**

**(UNAUDITED)**

## **Notice of Non-review of Interim Financial Statements**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

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**PARKIT ENTERPRISE INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
(Unaudited)

AS AT	April 30, 2014	October 31, 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 165,928	\$ 268,884
Restricted cash (Note 11)	550,182	1,126,707
Accounts receivable	161,238	13,250
Prepaid expenses and deposits (Note 4)	<u>777,329</u>	<u>993,752</u>
	1,654,677	2,402,593
<b>Equipment</b> (Note 5)	33,304	37,054
<b>Parking lot facility</b> (Note 7)	<u>15,750,697</u>	<u>15,572,100</u>
	<u>\$ 17,438,678</u>	<u>\$ 18,011,747</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 2,123,141	\$ 1,634,392
Short-term loans payable (Note 9)	2,044,902	1,956,379
Current portion of loans payable (Note 11)	664,099	16,467,173
Convertible debentures (Note 12)	<u>313,484</u>	<u>457,568</u>
	5,145,626	20,515,512
<b>Loans payable</b> (Note 11)	<u>15,965,300</u>	<u>-</u>
	<u>21,110,926</u>	<u>20,515,512</u>
<b>Equity (Deficiency)</b>		
Share capital (Note 13)	17,983,591	16,725,618
Subscriptions advanced (receivable)	210,000	(25,000)
Equity portion of convertible debentures	-	39,983
Reserves (Note 13)	201,867	614,712
Accumulated other comprehensive loss	267,583	449,787
Non-controlling interest (Note 7)	(182,840)	1,329,093
Deficit	<u>(22,152,448)</u>	<u>(21,637,958)</u>
	<u>(3,672,248)</u>	<u>(2,503,765)</u>
	<u>\$ 17,438,678</u>	<u>\$ 18,011,747</u>
Nature of operations and going concern (Note 1)		
Commitments (Note 8)		
Subsequent event (Note 17)		

Approved and authorized by the Board on June 20, 2014:

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*"Patrick Bonney"* Director      *"Richard Baxter"* Director

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

**PARKIT ENTERPRISE INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS**  
(Expressed in Canadian Dollars)  
(Unaudited)

FOR THE	Three months ended April 30, 2014	Three months ended April 30, 2013	Six months ended April 30, 2014	Six months ended April 30, 2013
<b>REVENUE</b>				
Sales	\$ 2,243,688	\$ 1,814,465	\$ 4,276,234	\$ 3,417,463
<b>OPERATING EXPENSES</b>				
Advertising and promotion	69,593	57,533	157,013	129,889
Automobile and vehicle	220,399	188,528	460,434	370,021
Credit card processing and bank charges	66,554	36,954	118,756	80,640
General and administrative	188,592	87,558	390,084	247,718
Insurance	57,799	96,176	116,031	145,111
Management fees	251,880	143,387	588,958	322,260
Professional fees	139,068	65,050	223,732	100,356
Public relations	33,617	-	48,775	11,844
Rent	157,628	104,733	292,732	199,698
Repairs and maintenance	72,906	75,832	244,422	139,681
Salaries and wages	439,894	368,303	911,765	716,626
Taxes and licenses	140,244	125,825	277,536	174,881
Travel and entertainment	14,348	10,931	21,898	23,958
	<u>1,852,522</u>	<u>1,360,810</u>	<u>3,852,136</u>	<u>2,662,683</u>
Net operating income	391,166	453,655	424,098	754,780
<b>OTHER EXPENSE (INCOME)</b>				
Depreciation (Note 5,7)	280,932	292,829	552,294	577,722
Write-off of accounts payable	-	(17,483)	-	(17,483)
Foreign exchange	(124)	-	(107)	37,840
GST allowance	-	-	172,000	-
Gain on settlement of debt (Note 12)	(24,078)	-	(24,078)	-
Loan interest and finance fees (Note 10)	<u>324,803</u>	<u>598,535</u>	<u>709,476</u>	<u>1,045,003</u>
	<u>581,533</u>	<u>874,881</u>	<u>1,409,585</u>	<u>1,643,032</u>
Net loss for the period	(190,367)	(420,226)	(985,487)	(888,302)
Allocation of (profit) loss to non-controlling interest	<u>(33,486)</u>	<u>27,724</u>	<u>8,381</u>	<u>35,643</u>
Loss attributable to parent	\$ (223,853)	\$ (393,502)	\$ (977,106)	\$ (852,659)
<b>Loss per share:</b>				
Basic	\$ (0.01)	\$ (0.03)	\$ (0.05)	\$ (0.07)
Diluted	(0.01)	(0.03)	(0.04)	(0.07)

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

**PARKIT ENTERPRISE INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
(Unaudited)

FOR THE	Three months ended April 30, 2014	Three months ended April 30, 2013	Six months ended April 30, 2014	Six months ended April 30, 2013
<b>Net loss for the year</b>	\$ (190,367)	\$ (420,226)	\$ (985,487)	\$ (888,302)
Exchange differences on translating foreign operations	<u>(182,205)</u>	<u>(11,230)</u>	<u>(355,225)</u>	<u>(300,588)</u>
<b>Comprehensive loss for the year</b>	(372,572)	(431,456)	(1,340,712)	(1,188,890)
Allocation of comprehensive loss to non-controlling interest	<u>33,486</u>	<u>27,724</u>	<u>8,381</u>	<u>35,643</u>
<b>Comprehensive loss attributable to parent</b>	<u>\$ (339,086)</u>	<u>\$ (403,732)</u>	<u>\$ (1,332,331)</u>	<u>\$ (1,153,247)</u>

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

**PARKIT ENTERPRISE INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

FOR THE SIX MONTH PERIOD ENDED APRIL 30	2014	2013
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss for the period from continuing operations	\$ (977,106)	\$ (852,659)
Items not affecting cash:		
Accrued interest and fees	108,552	647,966
Allocation of loss to non-controlling interest	(8,381)	(35,643)
Amortization of loan closing costs	56,097	-
Depreciation	552,294	577,722
Gain on settlement of debt	24,078	
Unrealized foreign exchange	-	(536,438)
Changes in non-cash working capital items:		
Accounts receivable	(148,226)	(37,254)
Accounts payable and accrued liabilities	226,247	353,256
Prepaid expenses and deposits	<u>449,207</u>	<u>(39,054)</u>
Net cash generated in operating activities	<u>282,762</u>	<u>77,896</u>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Decrease (increase) in restricted cash	630,272	(837,829)
Distributions to non-controlling interest	(1,554,272)	-
Loans, net of repayments	(686,143)	271,801
Issuance of common shares	1,362,743	457,500
Share issuance costs	<u>(21,800)</u>	<u>(8,750)</u>
Net cash used in financing activities	<u>(269,200)</u>	<u>(117,278)</u>
<b>Change in cash during the period</b>	<b>(13,562)</b>	<b>(39,382)</b>
<b>Effect of change in foreign currency on cash</b>	<b>(89,394)</b>	<b>(37)</b>
<b>Cash, beginning of period</b>	<b><u>268,884</u></b>	<b><u>41,286</u></b>
<b>Cash, end of period</b>	<b>\$ 165,928</b>	<b>\$ 1,867</b>
Supplemental disclosure with respect to cash flows (Note 14)		

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

**PARKIT ENTERPRISE INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Share capital								
	Number	Amount	Reserves	Deficit	Subscription Received in Advance (Receivable)	Equity Portion of Convertible Debentures	Accumulated Other Comprehensive income (loss)	Non-controlling Interest	Total
<b>Balance, October 31, 2012</b>									
Private placements	10,352,196	\$ 14,997,040	\$ 706,285	\$ (18,526,947)	\$ 52,000	\$ 56,925	\$ 51,612	\$ 1,583,821	\$ (1,079,264)
Share issue costs	1,110,186	555,093	-	-	(52,000)	-	-	-	503,093
Cumulative translation adjustment	-	(8,750)	-	-	-	-	-	-	(8,750)
Loss for the period	-	-	-	(460,157)	-	-	(289,358)	(107,390)	(396,748)
								(7,919)	(468,076)
<b>Balance, April 30, 2013</b>	11,462,382	\$ 15,543,383	\$ 706,285	\$ (18,987,104)	\$ -	\$ 56,925	\$ (237,746)	\$ 1,468,512	\$ (1,449,745)
Private placements	4,054,000	1,013,500	-	-	(25,000)	-	-	-	988,500
Shares for settlement of payables	312,918	93,875	-	-	-	(16,942)	-	-	76,933
Shares for convertible debenture	122,880	36,864	-	-	-	-	-	-	36,864
Share issue costs	-	(78,577)	25,000	-	-	-	-	-	(53,577)
Reversal of expired stock options	-	116,573	(116,573)	-	-	-	-	-	-
Distribution to non-controlling interest	-	-	-	-	-	-	-	(434,762)	(434,762)
Cumulative translation adjustment	-	-	-	-	-	-	687,533	159,175	846,708
Loss for the period	-	-	-	(2,650,854)	-	-	-	136,168	(2,514,686)
<b>Balance, October 31, 2013</b>	15,952,180	\$ 16,725,618	\$ 614,712	\$ (21,637,958)	\$ (25,000)	\$ 39,983	\$ 449,787	\$ 1,329,093	\$ (2,503,765)
Private placements (Note 13)	3,831,850	1,105,150	44,394	-	235,000	-	-	-	1,384,543
Shares for convertible note (Note 12)	600,000	180,000	-	-	-	(39,983)	-	-	140,017
Share issue costs (Note 13)	-	(27,177)	5,377	-	-	-	-	-	(21,800)
Reversal of expired stock options	-	-	(462,616)	462,616	-	-	-	-	-
Distribution to non-controlling interest	-	-	-	-	-	-	-	(1,554,272)	(1,554,272)
Cumulative translation adjustment	-	-	-	-	-	-	(182,204)	50,720	(131,484)
Loss for the period	-	-	-	(977,106)	-	-	-	(8,381)	(985,487)
<b>Balance, April 30, 2014</b>	20,384,030	\$ 17,983,591	\$ 201,867	\$ (22,152,448)	\$ 210,000	\$ -	\$ 267,583	\$ (182,840)	\$ (3,672,248)

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

**PARKIT ENTERPRISE INC.**

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

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED APRIL 30, 2014

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Parkit Enterprise Inc. (the “Company”) was incorporated pursuant to the *Business Corporations Act* (British Columbia) on December 6, 2006. The Company’s head office and principal address is 1088 – 999 West Hastings Street, Vancouver, British Columbia, Canada V6C 2W2, it’s registered and records office is 2900 – 595 Burrard Street, Vancouver, British Columbia V7X 1J5. The Company, through its subsidiary Greenswitch Capital Ltd. owns 81.2% of the Class A units of Green Park Denver LLC (“GP LLC”) which owns Canopy Airport Parking (Note 7), a 4,200 space parking lot in close proximity to the Denver International Airport.

During the year ended October 31, 2013 the Company completed a 10-1 reverse share split, all related figures have been revised to reflect the reverse share split in these consolidated financial statements.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its ongoing obligations and repay its liabilities as they come due. At April 30, 2014, the Company had not yet achieved profitable operations, with a deficit of \$22,152,448 (October 31, 2013 - \$21,637,958) and had a working capital deficiency of \$3,315,863 (October 31, 2013 - \$18,112,919).

These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenue and expenses and the classifications used in the condensed consolidated interim statements of financial position. The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments. While the Company has been successful in obtaining its required funding in the past, there can be no assurance that such future financing will be available.

Based on anticipated cash flow generated from the operations of Canopy Airport Parking over the next twelve months, supplemented by an equity financing completed subsequent to period end (Note 17), management believes the Company will be able to continue as a going concern for the foreseeable future.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of Compliance*

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

*Basis of measurement*

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Use of estimates and critical accounting judgments*

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement uncertainty that management has made at the end of the reporting period may result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

*Estimates:*

- a) The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.
- b) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty. Expected volatility is derived from a time series of post market prices therefore may not be an accurate representation of future volatility.

*Significant judgments:*

- a) The depreciation of the parking facility requires management to estimate the useful lives of the assets as a cash and cost generating unit. The Company considers both internal and external information in determining the useful lives and depreciation methods, which are reviewed at each reporting date and adjusted as required.
- b) Possible impairment of the parking facility requires management's judgements and estimates. Impairment consideration requires management to evaluate, at least annually, for indicators that the carrying value is impaired and may not be recoverable. Management considers both external and internal sources of information in assessing whether there are any indicators that the parking facility may be impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the parking facility. Internal sources of information the Company considers include the actual and expected economic performance of the assets.

*Basis of consolidation*

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

**PARKIT ENTERPRISE INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
(Unaudited)  
FOR THE SIX MONTHS ENDED APRIL 30, 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Basis of consolidation (cont'd...)*

The condensed consolidated interim financial statements incorporate the financial statements of the Company and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Principal Activity	Functional Currency
Greenswitch Capital Ltd.	Canada	100%	Holding	CAD
Greenswitch America Inc.	USA	100%	Holding	CAD
Green Park Denver LLC	USA	81.2% of Class A units (Note 10)	Operator of Canopy Airport Parking	US
Canopy Airport Parking LLC	USA	81.2%	Holding	US

The non-controlling interest in the net assets of Green Park Denver LLC is identified separately from the Company's equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the acquisition.

**New standards, interpretations and amendments adopted**

As of November 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

*IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

*IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

*IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

## **2. BASIS OF PREPARATION (cont'd...)**

### **New standards, interpretations and amendments adopted (cont'd...)**

#### *IFRS 13 Fair Value Measurement*

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements.

### **New standards yet adopted**

The following new standards, amendments to standards and interpretations have been issued and will be effective for the Company's year ended October 31, 2015:

- IAS 32 (Amendment) New standard that clarifies requirements for offsetting financial assets and financial liabilities.<sup>(ii)</sup>
- IAS 36 (Amendment) This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.<sup>(ii)</sup>
- IFRIC 21 This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.<sup>(ii)</sup>

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

## **3. FINANCIAL INSTRUMENTS**

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, loans payable, and convertible debentures approximate carrying value, which is the amount recorded on the consolidated statement of financial position. The Company's other financial instruments, cash and restricted cash, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's policy is to deal only with creditworthy counterparties. None of the Company's financial assets are secured by collateral or other credit enhancements. In respect of accounts receivable, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

**PARKIT ENTERPRISE INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED APRIL 30, 2014

**3. FINANCIAL INSTRUMENTS (cont'd...)***Liquidity risk*

Liquidity risk is the risk of not being able to meet the Company's cash requirements in a timely manner. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2014, the Company had current liabilities of \$5,145,626. The Company expects to fund these liabilities through existing cash resources, revenue generated from operations, additional debt and equity financings including settlement of balances through issuance of equity.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

## a) Interest rate risk

As at April 30, 2014 and, October 31, 2013 the Company did not have any investments in investment-grade short-term deposit certificates or short-term debt issued by the federal government. The Company is not exposed to interest rate risk on its loans with the exception of its long term loan disclosed in Note 11, as the interest rates on all other loans are fixed. The Company is exposed to interest rate risk on its long term loan disclosed in Note 11, as the loan bears interest at a rate of LIBOR plus 5.25% with a floor of 5.5%. A 1% change in LIBOR would affect net loss for the period by approximately would affect net loss for the period by approximately \$2,400.

## b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in US Dollars. A 10% fluctuation in the US dollar against the Canadian dollar would affect net loss for the period by an insignificant amount.

## c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**4. PREPAID EXPENSES AND DEPOSITS**

	April 30, 2014	October 31, 2013
Refinancing deposit	\$ -	\$ 725,000
Parking Acquisition Fund Contributions	623,099	-
Term deposit	-	20,000
Prepaid expenses	53,677	69,673
Operational deposits	<u>100,553</u>	<u>179,079</u>
<b>Total</b>	<b>\$ 777,329</b>	<b>\$ 993,752</b>

**PARKIT ENTERPRISE INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE SIX MONTHS ENDED APRIL 30, 2014

**5. EQUIPMENT**

	Office equipment
<b>Cost</b>	
Balance, October 31, 2012	\$ -
Additions for the year	<u>37,500</u>
<b>Balance, October 30, 2013</b>	<u>37,500</u>
<b>Accumulated depreciation</b>	
Balance October 31, 2012	-
Depreciation for the year	<u>446</u>
Balance October 31, 2013	<u>446</u>
Depreciation for the period	<u>3,750</u>
<b>Balance, April 30, 2014</b>	<u>\$ 4,196</u>
<b>Carrying amounts</b>	
As at October 31, 2013	\$ 37,054
As at April 30, 2014	<u>\$ 33,304</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	April 30, 2014	October 31, 2013
Accounts payable	\$ 1,031,262	\$ 780,592
Accruals	557,296	506,505
Property tax	<u>534,583</u>	<u>347,295</u>
<b>Total</b>	<u>\$ 2,123,141</u>	<u>\$ 1,634,392</u>

**7. PARKING LOT FACILITY**

Through its wholly owned subsidiary Greenswitch America Inc., the Company holds 81.2% of the Class A units of Green Park Denver LLC ("GP LLC") which owns a 4,200 stall parking facility at the Denver International Airport. GP LLC has the following share structure:

	<b>Number of units</b>	<b>Percentage ownership</b>
<b>Class A</b> Greenswitch America Inc. (Parkit)	812,004	81.2%
<b>Class A</b> Rocky Mountain Parking LLC*	100,000	10%
<b>Class A</b> Other**	87,996	8.8%
<b>Class B</b> Rocky Mountain Parking LLC*	1,000,000	100%
<b>Total</b>	<u>2,000,000</u>	

\* Rocky Mountain Parking LLC is an affiliate of Propark America West LLC.

\*\* Non-related outside investors

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**7. PARKING LOT FACILITY (cont'd...)**

Unlike Class A units, Class B units have no rights or obligations to the assets and liabilities of GP LLC. Further, Class A units are entitled to 100% of the distributions until 100% of the original contributed capital is returned. Thereafter, Class A units are entitled to 80% of distributions until 150% of capital is returned; thereafter, 60% of distributions until 200% of capital is returned; and thereafter 50% of all remaining distributions. Entitlement to distributions is summarized in the following table:

<b>Equity Cash Flow Distribution</b>	<b>Class A</b>	<b>Class B</b>	<b>Class A return %</b>	<b>Cumulative Class A return \$US</b>	<b>Cumulative Class B return \$US</b>
First \$US 11.08M	100%	0%	100%	11.08M	-
Next \$US 6.92M (up to US\$18.00M)	80%	20%	150%	16.62M	1.38M
Next \$US 9.23M (up to US\$27.24M)	60%	40%	200%	22.16M	5.08M
Excess	50%	50%			

During the period ended April 30, 2014 \$NIL (US \$NIL) was distributed to the Class A unit holders. Total distributions to Class A unit to date are \$10,461,925 (US\$10,062,536) therefore the first stage of the waterfall is currently in effect.

The major components of the parking lot facility are as follows:

	<b>Building</b>	<b>Computer and equipment</b>	<b>Furniture</b>	<b>Improvements and fixtures</b>	<b>Land</b>	<b>Land Closing Fees</b>	<b>Total</b>
<b>Cost</b>							
Balance, October 31, 2012	\$3,238,042	\$253,192	\$342,780	\$12,976,783	\$1,000,400	\$310,016	\$18,121,213
Additions	-	-	-	6,877	-	-	6,877
Cumulative translation adjustment	148,243	5,121	18,720	597,723	45,800	14,193	829,800
Balance, October 31, 2013	3,386,285	258,313	361,500	13,581,383	1,046,200	324,209	18,957,890
Cumulative translation adjustment	160,219	12,222	17,104	642,591	49,500	15,340	896,976
Balance, April 31, 2014	3,546,504	270,535	378,604	14,223,974	1,095,700	339,549	19,854,866
<b>Accumulated depreciation</b>							
Balance, October 31, 2012	158,760	87,126	94,425	1,589,999	-	206,212	2,136,522
Additions	84,604	50,339	53,240	850,792	-	105,301	1,144,276
Cumulative translation adjustment	9,884	5,292	5,956	71,164	-	12,696	104,992
Balance, October 31, 2013	253,248	142,757	153,621	2,511,955	-	324,209	3,385,790
Additions	45,858	25,417	27,275	449,994	-	-	548,544
Cumulative translation adjustment	11,592	6,539	7,037	129,327	-	15,340	169,835
Balance, April 31, 2014	\$ 310,698	\$ 174,713	\$ 187,933	\$ 3,091,276	-	\$ 339,549	\$ 4,104,169
<b>As at October 31, 2013</b>	\$ 3,133,037	\$ 115,556	\$ 207,879	\$ 11,069,428	\$ 1,046,200	-	\$ 15,572,100
<b>As at April 31, 2014</b>	\$ 3,235,806	\$ 95,822	\$ 190,671	\$ 11,132,698	\$ 1,095,700	-	\$ 15,750,697

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**8. COMMITMENTS**

The Company has a ground lease agreement relating to the premises of the Canopy parking facility. With the refinancing of Canopy, management has exercised its option to extend the lease to 2035.

The annual lease expense from 2014 to 2030 will be the greater of 5% of Net Sales or US\$500,000 per annum. From 2030 to 2035, during the first option period, the lease expense will be the greatest of 7% of net sales or US\$625,000.

There are three remaining options of five years each, however at the exercise of each option, the landlord has the right to terminate under certain conditions.

**9. SHORT TERM LOANS PAYABLE**

The Company had the following short term loan commitments in place during the period April 30, 2014 and year ended October 31, 2013. All of the Company's short term loans payable are unsecured and payable at the maturity date:

Loan Reference	Issue Date	Due Date	Interest Rate	Balance, October 31, 2013	Net Principal Additions	Accrued Interest	Balance April 30, 2014
a)	18-Jun-10	31-Dec-14	10%	\$ 118,800	\$ -	\$ 4,959	\$ 123,759
b)	04-Oct-10	30-Nov-11	12%	662,310	-	22,532	684,842
c)	14-Feb-11	31-Dec-14	10%	95,034	-	3,719	98,753
d)	22-Jun-11	30-Nov-11	10%	61,795	-	2,479	64,274
e)	23-Jan-12	30-Apr-12	24%	266,361	-	20,932	287,293
f)	24-Feb-12	31-Dec-12	15%	31,318	-	1,860	33,178
g)	Various	31-Dec-12	10%	255,126	-	12,998	268,124
h)	01-May-12	31-Dec-14	10%	193,191	-	8,851	202,042
i)	01-Aug-12	31-Dec-12	15%	21,381	-	1,339	22,720
j)	29-Oct-13	14-Nov-13	8%	251,063	-	8,854	259,917
				\$ 1,956,379		\$ 88,521	\$ 2,044,902

- a) During the year ended October 31, 2013 the loan interest rate was retroactively reduced to 10% from 24% and the due date was extended to December 31, 2014. The loan is guaranteed by 33,333 common shares of the Company. Subsequent to the period this loan was settled (Note 17).
- b) Upon maturity the loan holder is entitled to an additional fee of 103,296 common shares and a fee of 4% of the principal balance. Subsequent to the period this loan was settled (Note 17).
- c) During the year ended October 31, 2013 the loan interest rate was retroactively reduced to 10% from 15% and the due date was extended to December 31, 2014. Subsequent to the period this loan was settled. (Note 17)
- d) During the year ended October 31, 2013 the loan interest rate was retroactively reduced to 10% from 15%. Subsequent to the period this loan was settled. (Note 17)
- f) Subsequent to the period this loan was settled. (Note 17)
- g) Subsequent to the period these loans were settled. (Note 17)
- h) During the year ended October 31, 2013 the loan interest rate was retroactively reduced to 10% from 15%. Subsequent to the period this loan was settled. (Note 17)
- i) During the year ended October 31, 2013 the loan interest rate was retroactively reduced to 10% from 15% and the due date was extended to December 31, 2014. Subsequent to the period this loan was settled. (Note 17)
- j) This loan was repaid subsequent to the period end (Note 17)

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**10. LOAN INTEREST AND FINANCE FEES**

FOR THE	Three months ended April 30, 2014	Three months ended April 30, 2013	Six months ended April 30, 2014	Six months ended April 30, 2013
Amortization of deferred financing costs	\$ 28,538	\$ -	\$ 56,098	\$ -
CapitalSource Bank loan interest	240,897	-	531,333	-
Short term loans, convertible debentures interest, and other	55,368	43,894	122,044	85,865
Wells Fargo loan interest and fees	-	242,910	-	361,754
Maxam Capital Corp. non-revolving term credit facility interest and fees	<u>-</u>	<u>311,731</u>	<u>-</u>	<u>597,384</u>
<b>Total</b>	<b>\$ 324,803</b>	<b>\$ 598,535</b>	<b>\$ 709,475</b>	<b>\$ 1,045,003</b>

**11. LOANS PAYABLE**

	April 30, 2014	October 31, 2013
Total loans payable	\$ 16,629,399	\$ 16,467,173
Current portion due within one year	<u>(664,099)</u>	<u>(16,467,173)</u>
Net long term portion	\$ 15,965,300	\$ -
Restricted Cash due to Loans Payable	\$ 550,182	\$ 1,126,707

The Company had the following long term loan commitments in place during the period ended January 31, 2014:

- a) On November 1, 2014 the Company, through its subsidiary, Canopy Airport Parking LLC ("Canopy LLC") executed a loan agreement with CapitalSource Bank whereby Canopy LLC agreed to borrow US\$16,500,000. Under the terms of the loan agreement interest is to be charged at a rate of LIBOR plus 5.25% with a floor of 5.5%. The maturity date of the loan is November 1, 2017 with an option to extend to November 1, 2018. The loan is secured by the Company's ground lease covering the premises of the Canopy Airport Parking facility (Note 8).

The Company is required to maintain a debt service coverage ratio of not less than 1.10 to 1. The debt service coverage ratio is defined as the ratio of:

- i) Operating revenues for the twelve calendar month period ending with the most recently completed calendar month less operating expenses for the twelve month period ending with the most recently completed calendar month, to
- ii) The debt service payable for the twelve month period beginning with the most recently completed calendar month



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**11. LOANS PAYABLE (cont'd...)**

Per the conditions of the loan, Canopy LLC held \$550,181 (US\$502,128) (October 31, 2013 - \$Nil (US\$Nil)) in an interest bearing demand deposit account with CapitalSource Bank in compliance with debt service coverage requirements.

The Company had the following long term loan commitments in place during the year ended October 31, 2013:

- a) On August 6, 2010, the Company guaranteed a loan executed by GP LLC and Wells Fargo Bank ("Wells Fargo") whereby GP LLC agrees to borrow the maximum principal sum of US\$8,500,000. The balance of the loan advanced as of April 30, 2014 is \$Nil (US\$Nil) (October 31, 2013 - \$8,892,700 (US\$8,500,000)). The loan was secured by all assets of GP LLC.

The loan matured on October 1, 2013 and on November 1, 2013 the Company completed the US\$16,500,000 refinancing as noted above and repaid the loan in full. The loan bore interest at a rate per annum of 4% above the variable 30-day LIBOR market rate. Based on the date of execution, all-in fixed interest rate costs were approximately 6%.

Per the conditions of the loan, GP LLC held \$Nil (US \$Nil) (October 31, 2013 - \$1,126,707 (US\$1,076,951)) in an interest bearing demand deposit account with Wells Fargo in compliance with covenants regarding liquidity and debt service coverage which was released on settlement of the loan.

- b) On January 18, 2011, the Company entered into a non-revolving term credit facility in the amount of \$7,000,000. As of January 31, 2014 the balance was \$Nil (October 31, 2013 - \$5,750,000). On November 1, 2013 the Company completed the US\$16,500,000 refinancing as noted above and repaid the loan in full.

Interest and fees on the credit facility are as follows:

- 12% per annum, payable in cash at the end of each month,
- 4% per annum, payable in kind, such interest to accrue and compound monthly in arrears.
- A royalty in an amount equal to 2% of actual gross revenues of Green Park, calculated on the anniversary of the closing date of the credit facility until the maturity date, and 1% of actual gross revenue of Green Park thereafter.
- A commitment fee of \$200,000 paid from the advance of the credit facility.

On November 1, 2013, the Company settled accrued interest, fees, and other charges of \$1,824,473 which were included in loans payable as at October 31, 2013. The credit facility was secured by the Company's shares in Greenswitch America, Inc., Class A units in GP LLC (which includes the parking lot facility), and certain residential property of two former directors.

**12. CONVERTIBLE DEBENTURES**

- a) On August 3, 2010, the Company borrowed \$120,000 from an unrelated third party in the form of convertible debentures, bearing interest at 15% per annum, paid semi-annually, and due on August 3, 2012. The debt is convertible at the option of the holder into common shares at a conversion price of \$3.50 per common share. There is a forced conversion should the Company's common shares trade at \$7.50 per common share for a period of ten consecutive trading days. On March 21, 2014, the holder elected to convert the note and accrued interest to the Company's common shares at a fair market value of \$0.30 per common share. As at April 30, 2014 the balance of this convertible debenture plus accrued interest was \$NIL (October 31, 2013 - 104,089). The Company recorded a \$14,206 gain on settlement.
- b) On August 13, 2010, the Company borrowed \$83,000 from unrelated third parties in the form of convertible debentures, bearing interest at 15% per annum, paid semi-annually, and due on August 13, 2012. The debt is convertible at the option of the holder into common shares at a conversion price of \$3.50 per common share. There is a forced conversion should the Company's common shares trade at \$7.50 per common share for a period of ten consecutive trading days. On March 21, 2014, the holder elected to convert the note and accrued interest to the Company's common shares at a fair

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market value of \$0.30 per common share. As at April 30, 2014 the balance of this convertible debenture plus accrued interest was \$NIL (October 31, 2013 – 53,476). The Company recorded a \$9,872 gain on settlement.

**12. CONVERTIBLE DEBENTURES (cont'd...)**

- c) On October 30, 2013 the Company borrowed \$300,000 in the form of convertible debentures, bearing interest at 8% and due on April 30, 2014. The debt is convertible at the option of the holder into units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of six months from the date of issuance at a price of \$0.40 per common share. As at April 30, 2014 the balance of this convertible debenture plus accrued interest was \$313,484 (October 31, 2013 – 300,000).

The debt component of the convertible debentures is calculated at the present value of the debt and required interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debentures were issued. The following is a summary of the convertible debenture activity:

Convertible debentures as at October 31, 2012	\$	196,538
Additions		300,000
Settlement in common shares		(36,864)
Gain on settlement		(24,576)
Accrued interest		<u>22,470</u>
Convertible debentures as at October 31, 2013		457,568
Settlement in common shares		(180,000)
Gain on settlement		15,905
Accrued interest		<u>20,011</u>
Convertible debentures as at April 30, 2014	\$	313,484

**13. SHARE CAPITAL AND RESERVES**

Share Capital is summarised below:-

- a) Authorized: Unlimited common shares, without par value
- b) Issued: As at April 30, 2014, 20,384,030 common shares were issued and outstanding.

During the year ended October 31, 2013 the Company completed a 10-1 reverse share split, all related figures have been revised to reflect the reverse share split in the consolidated financial statements.

Transactions for the period ended April 30, 2014:

- i. The Company completed a private placement of 4,431,550 units at a price of \$0.30 per unit for gross proceeds of \$1,329,555. Each unit consists of one common share and a half share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.50 for a period of two years following the closing date. In relation to the offering the Company issued 72,779 warrants to agents. The value of the warrants was recorded as a share issue cost of \$5,377. The value was obtained using the Black-Scholes valuation model with the following assumptions: volatility of 122%, discount rate of 1.5%, expected life of 2 years, and dividend yield of 0%. A total of \$209,772 of the proceeds were not received at period end and have been recorded as subscriptions receivable. The amount was collected in full subsequent to year end.

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**13. SHARE CAPITAL AND RESERVES (cont'd...)**

Transactions for the year ended October 31, 2013:

- ii. The Company completed a private placement of 1,110,186 units at a price of \$0.50 per unit for gross proceeds of \$555,093. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.00 for a period of two years following the closing date. Of the proceeds \$52,000 was received in the prior year.
- iii. The Company completed a private placement of 4,054,000 units at a price of \$0.25 per unit for gross proceeds of \$1,013,500. Each unit consists of one common share and on half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.40 for a period of two years following the closing date. In relation to the offering the Company issued 121,600 warrants to agents. The value of the warrants was recorded as a share issue cost of \$25,000. The value was obtained using the Black-Scholes valuation model with the following assumptions: volatility of 126%, discount rate of 1.5%, expected life of 2 years, and dividend yield of 0%. A total of \$25,000 of the proceeds were not received at year end and have been recorded as subscriptions receivable. The amount was collected in full subsequent to year end.
- iv. The Company issued shares for debt whereby \$156,459 of accounts payable, and \$61,440 of convertible debentures were converted to 435,798 common shares. Total share capital \$93,875 was recorded in relation to the settlement of debt and \$36,864 in relation to the settlement of convertible debentures. The company recognized a gain on settlement of debt of \$104,102 in relation to the transaction.

c) Reserves are summarised below:-

	Contributed Surplus	Warrant Reserve	Total
<b>Balance, October 31, 2012</b>	\$ 178,905	\$ 527,380	\$ 706,285
Share Issue Costs	25,000	-	25,000
Reversal of expired stock options	(116,573)	-	(116,573)
<b>Balance, October 30, 2013</b>	87,332	527,380	614,712
Private Placement Warrants issued	-	44,394	44,394
Share issue costs	5,377	-	5,377
Reversal of expired stock options	(462,616)	-	(462,616)
<b>Balance, April 30, 2014</b>	(369,907)	571,774	\$ 201,867

## i) Stock Options

Under the Company's stock option plan, the Company may grant options for up to 10% of the issued and outstanding common shares to directors, employees and consultants at an exercise price to be determined by the board of directors provided that the exercise price is not less than the price permitted by the TSX Venture Exchange. Option shares are subject to vesting requirements as determined by the Company's Board of Directors, and the life of the options granted is as determined by the Company's Board of Directors, to a maximum of 10 years. Stock option transactions are recorded to the Contributed Surplus.

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**13. SHARE CAPITAL AND RESERVES (cont'd...)**

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of options	Weighted average exercise price
Balance as at October 31, 2012 and 2013	621,000	\$ 2.03
Options expired and forfeited	<u>(501,000)</u>	<u>1.01</u>
Balance April 30, 2014	120,000	\$ 1.50

At April 30, 2014, stock options were outstanding enabling holders to acquire shares as follows:

Number of options	Exercise price (\$)	Number of options exercisable	Expiry date
15,000	5.00	15,000	September 21, 2014
<u>105,000</u>	1.00	<u>105,000</u>	July 27, 2017
120,000		120,000	

## ii) Warrant Reserve

At April 30, 2014, share purchase warrants were outstanding enabling holders to acquire shares as follows:

	Number of warrants	Weighted average exercise price
Balance as at October 31, 2012	986,571	\$ 3.20
Granted	3,258,786	0.60
Expired	<u>(986,571)</u>	<u>3.16</u>
Balance as at October 31, 2013	3,258,786	\$ 0.60
Granted	<u>2,215,775</u>	<u>0.50</u>
Balance as at April 30, 2014	5,474,561	0.56

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**13. SHARE CAPITAL AND RESERVES (cont'd...)**

## ii) Warrants - expiry

Number of warrants	Exercise Price (\$)	Expiry date	
1,110,186	1.00	December 8, 2014	
2,148,600 *	0.40	September 24, 2015	
2,288,884 **	0.50	March 20, 2016	* Includes 121,600 agent warrants ** Includes 72,779 agent warrants
5,474,561			

**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	April 30, 2014	April 30, 2013
Cash paid for interest	\$ 240,910	\$ 555,641
Cash paid for taxes	\$ -	\$ -

There were no significant non-cash transactions during the periods ended April 30, 2014 and April 30, 2013.

**15. SEGMENTED INFORMATION**

The Company has one reportable segment. The Company operates in the parking facilities sector through its wholly owned subsidiary Green Park Denver LLC. This reportable segment was determined based on the nature of the services provided. Reportable segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company earned 100% of its revenues in the United States through its subsidiary Green Park Denver LLC. Details of identifiable assets by geographic location are as follows:

	Revenues	Parking Lot Facility	Office Equipment
For the year ended October 31, 2013			
Canada	\$ -	\$ -	\$ 37,054
United States	\$ 7,650,513	\$ 15,572,100	\$ -
For the period ended January 31, 2014			
Canada	\$ -	\$ -	\$ 35,034
United States	\$ 2,032,546	\$ 16,357,626	\$ -
For the period ended April 30, 2014			
Canada	\$ -	\$ -	\$ 33,304
United States	\$ 2,243,688	\$ 15,750,697	\$ -

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**16. RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

During the period ended April 30, 2014 the Company entered into the following related party transactions:

Name	Relationship	Management Fees	Bonus	Professional	Office, admin, rent	Total
Richard Baxter	CEO, director	\$45,000	\$ -	\$ -	\$ -	\$45,000
Patrick Bonney	Director	37,500	-	-	-	37,500
John LaGourgue	COO, director	30,000	-	-	-	30,000
Simon Buckett	Interim CFO	3,125	-	-	-	3,125
Shoni Bernard	Secretary	-	-	3,000	-	3,000
Total		\$115,625	-	\$3,000	\$ -	\$118,625

During the period ended April 30, 2013 the Company entered the following related party transactions:

Name	Relationship	Consulting	Bonus	Professional	Office, admin, rent	Total
Richard Baxter	CEO, director	\$37,500	\$ -	\$ -	\$ -	\$37,500
John LaGourgue	COO, director	20,000	-	-	-	20,000
Total		\$57,500	\$ -	\$ -	-	57,500

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**16. RELATED PARTY TRANSACTIONS (cont'd...)**

The following balances were owing to related parties:

Name	Relationship	Service	April 30, 2014	October 31, 2013
Richard Baxter	CEO, director	Management fees, expense reimbursement	\$ 153,909	\$ 21,084
Patrick Bonney	CFO, director	Management fees, expense reimbursement	21,940	764
John LaGourgue	COO, director	Management fees, expense reimbursement	93,930	6,453
Shoni Bernard	Corporate secretary	Professional fees	3,149	2,753
Mark Devereux	Former CEO, director	Management fees, expense reimbursement	42,253	42,253
Brad Scharfe	Former CEO, director	Management fees, expense reimbursement	33,194	33,000
Bryan Slusarchuk	Former CEO, director	Management fees, expense reimbursement	-	14,000
Skanderbeg Capital Partners Inc.	Related company officers and directors*	Office, administration, rent	16,428	26,631
Total			\$ 364,803	\$ 146,938

\* Skanderbeg Capital partners is a private company partially owned by Brad Scharfe (former CEO, director) and Bryan Slusarchuk (former CEO, director) and provided management and professional services to public companies.

The following amounts were borrowed from related parties in the form of short term loans from a related party to allow the Company to maintain debt covenants and for working capital purposes:

Name	Note reference	Principal balance and accrued interest		Interest expense	
		April 30, 2014	October 31, 2013	April 30, 2014	April 30, 2013
Brad Scharfe	Note 10d, 10g	\$ 332,359	\$ 258,472	\$ 7,088	\$ 6,599

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**17. SUBSEQUENT EVENT**

- i. On May 5, 2014 the Company completed a private placement of 3,352,333 units at a price of \$0.30 per unit for gross proceeds of \$1,005,700. Each unit consists of one common share and a half share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.50 for a period of two years following the closing date. In relation to the offering the Company issued 28,000 warrants to agents. The value of the warrants was recorded as a share issue cost of \$3,184. The value was obtained using the Black-Scholes valuation model with the following assumptions: volatility of 121%, discount rate of 1.5%, expected life of 2 years, and dividend yield of 0%.

Each whole Warrant entitling the holder to purchase one common share for the price of \$0.50 per share for a period of two years following the date of issuance. The Warrants are subject to an acceleration provision such that if the closing price of the Company's shares is equal or greater to \$0.95 per share for 20 consecutive trading days at any time following four months after issuance, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice.

- ii. On June 6, 2014 the Company completed a private placement of 3,213,892 units at a price of \$0.45 per unit for gross proceeds of \$1,446,251. Each unit consists of one common share and a half share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.60 for a period of two years following the closing date. No share offering costs were associated with the financing.

Each whole Warrant entitling the holder to purchase one common share for the price of \$0.60 per share for a period of two years following the date of issuance. The Warrants are subject to an acceleration provision such that if the closing price of the Company's shares is equal or greater to \$1.00 per share for 20 consecutive trading days at any time following four months after issuance, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice.

- iii. On June 13, 2014, the Company issued 2,695,000 incentive stock options to directors, officers and consultants of the Company. Each option permits the grantee to acquire one common share in the Company at a price of \$0.50 per share and expires five years after the date of grant. The value of the options was recorded as stock based compensation expense of \$1,135,643. The value was obtained using the Black-Scholes valuation model with the following assumptions: volatility of 119%, discount rate of 1.5%, expected life of 5 years, and dividend yield of 0%.
- iv. On June 18, 2014 the Company entered into various agreements to settle an aggregate of \$1,728,562 in short term loans and payables. The Company converted \$921,409 of short term loans and payables to equity, issuing 1,842,818 shares at \$0.50. The company settled \$807,152 of short term loans and payables with cash. These transactions were in full and final settlement of short term loans a, b, c, d, f, g, h and i. (Note 9)
- v. On May 20, 2014 the Company repaid \$260,795 in full settlement of short term loan (j). (Note 9)