

**GRAND PEAK CAPITAL CORP.**

**Condensed Interim Consolidated Financial Statements  
For The Three Months Ended December 31, 2014 and 2013  
(Unaudited - Expressed in Canadian Dollars)**

## **NOTICE TO READER**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

Grand Peak Capital Corp.  
Condensed Interim Consolidated Statements Of Financial Position  
(Unaudited - Expressed In Canadian Dollars)

	Notes	December 31 2014	September 30 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$	121,001	\$ 14,133
Other receivables		12,004	22,715
		133,005	36,848
<b>Non-current assets</b>			
Marketable securities	4	1,578,802	1,826,114
<b>TOTAL ASSETS</b>	\$	<b>1,711,807</b>	<b>\$ 1,862,962</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	7,9	\$ 50,071	\$ 50,013
Short term loans payable	9	4,750	4,750
<b>TOTAL LIABILITIES</b>		54,821	54,763
<b>EQUITY</b>			
Share capital	8	8,807,804	8,807,804
Reserves	8	(401,060)	(253,749)
Deficit		(6,749,758)	(6,745,856)
<b>TOTAL EQUITY</b>		1,656,986	1,808,199
<b>TOTAL LIABILITIES AND EQUITY</b>	\$	<b>1,711,807</b>	<b>\$ 1,862,962</b>

APPROVED AND AUTHORIZED BY THE DIRECTORS ON February 24, 2015:

"Eugene Beukman" Director

"Sonny Janda" Director

– See Accompanying Notes to the Condensed Interim Consolidated Financial Statements –

Grand Peak Capital Corp.  
Condensed Interim Consolidated Statements Of Comprehensive (Income) Loss  
For The Three Months Ended December 31, 2014 and 2013  
(Unaudited - Expressed In Canadian Dollars)

	Notes	December 31, 2014	December 31, 2013
<b>Expenses</b>			
Amortization		\$ -	\$
Bank charges & interest		278	413
Office and miscellaneous	9	44	19
Professional fees	9	764	4,566
Transfer and regulatory fees		4,892	3,644
		<u>(5,978)</u>	<u>(8,642)</u>
<b>Other items</b>			
Interest and royalty income		1,972	2,172
Loss on sale of marketable securities		-	(60,531)
Foreign exchange gain		105	(1,462)
		<u>2,077</u>	<u>(59,821)</u>
<b>Net loss for the year</b>		<b>\$ (3,901)</b>	<b>\$ (68,463)</b>
<b>Other comprehensive loss (income) in the year</b>		<u>(147,311)</u>	<u>17,000</u>
<b>Comprehensive income (loss) for the year</b>		<b>\$ <u>(151,212)</u></b>	<b>\$ <u>(51,463)</u></b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>4,929,340</b>	<b>4,929,340</b>
<b>Loss per share</b>		<b>\$ <u>(0.00)</u></b>	<b>\$ <u>(0.01)</u></b>

– See Accompanying Notes to the Condensed Interim Consolidated Financial Statements –

Grand Peak Capital Corp.  
Condensed Interim Consolidated Statements Of Changes In Equity  
For The Three Months Ended December 31, 2014 and 2013  
(Unaudited - Expressed in Canadian Dollars)

Notes	Share capital		Reserves				Total
	Number of shares	Amount	Share based payment	Investment revaluation	Deficit		
Balance at September 30, 2013	4,889,340	\$ 8,707,804	1,505,448	(2,160,361)	(6,549,382)	1,503,509	
Loss for the period	-	-	-	-	(68,463)	(68,463)	
Unrealized gain on marketable securities	-	-	-	17,000	-	17,000	
Asset acquisition	40,000	100,000	-	-	-	100,000	
Balance at December 31, 2013	4,929,340	8,807,804	1,505,448	(2,143,361)	(6,617,845)	1,552,046	
Balance at September 30, 2014	4,929,340	8,807,804	\$ 1,505,448	\$ (1,759,197)	\$ (6,745,856)	\$ 1,808,199	
Loss for the period	-	-	-	-	(3,901)	(3,901)	
Unrealized gain on marketable securities	-	-	-	(147,311)	-	(147,311)	
Asset acquisition	-	-	-	-	-	-	
Balance at December 31, 2014	4,929,340	\$ 8,807,804	\$ 1,505,448	\$ (1,906,508)	\$ (6,749,757)	\$ 1,656,987	

On January 15, 2015 the Company completed a share consolidation of its share capital on the ration of one new share for five old shares. The consolidation is effective retroactively.

– See Accompanying Notes to the Condensed Interim Consolidated Financial Statements –

Grand Peak Capital Corp.  
Condensed Interim Consolidated Statements Of Cash Flow  
For The Three Months Ended December 31, 2014 and 2013  
(Unaudited - Expressed in Canadian Dollars)

	December 31, 2014	December 31, 2013
<b>Operating activities</b>		
Net loss	(3,901)	(68,463)
Adjustments for non-cash items:		
Unrealized loss on derivative investments	-	-
Amortization	-	-
Loss on the sale of marketable securities	-	60,530
Changes in non-cash working capital items:		
Accounts receivable	10,711	4,860
Deposit	-	(80,000)
Trade payables and accrued liabilities	58	260
<b>Net cash flows used in operating activities</b>	<b>6,868</b>	<b>(82,813)</b>
<b>Investing activities</b>		
Proceeds received from the sale of marketable securities	100,000	76,975
Acquisition of marketable securities	-	-
<b>Net cash flows from (used in) investing activities</b>	<b>100,000</b>	<b>76,975</b>
<b>Financing Activities</b>		
Short term loan	-	-
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>
Decrease in cash	106,868	(5,838)
Cash, beginning	14,133	33,682
<b>Cash, ending</b>	<b>121,001</b>	<b>27,844</b>
<b>Non – cash Transactions</b>		
Shares issued for Vianey option agreement with Musgrove Minerals	-	100,00

– See Accompanying Notes to the Condensed Interim Consolidated Financial Statements –

Grand Peak Capital Corp.  
Notes To The Condensed Interim Consolidated Financial Statements  
For The Three Months Ended December 31, 2014 and 2013  
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**1. Nature and continuance of operations**

Grand Peak Capital Corp. (the “Company”) is incorporated in British Columbia and its principal business activity is investing in small cap resource sector public companies. The Company is listed on the Canadian Securities Exchange (the “CSE”) and trades under the symbol GPK.

The head office, principal address and records office of the Company are located at 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2014, the Company is not able to finance its day to day operations through its operating activities. The Company’s continuation as a going concern is dependent upon the performance of its stock portfolio and its ability raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and by continuing to pursue additional sources of financing through equity offerings.

**2 Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), including IAS 34, Interim Reporting.

The financial statements were authorized for issue on February 24, 2014 by the directors of the Company.

**3. Significant Accounting Policies**

***Basis of preparation***

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value, and are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements incorporate the accounts of the Company and its controlled subsidiaries:

Entity	Incorporation	Ownership percentage
0868964 BC Ltd.	Canada	100%
Grand Peak Mexican Holding Inc.	Canada	100%
Grand Peak Mexico SA de CV	Mexico	100%

### **3. Significant Accounting Policies (Continued)**

#### ***Significant estimates and assumptions***

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

#### ***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

#### ***Functional currency and foreign currency translation***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of all of the Company's subsidiaries is the Canadian dollar.

#### **Transactions and balances:**

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

#### **Foreign operations:**

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive income.



### **3. Significant Accounting Policies (Continued)**

#### ***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive

#### ***Exploration and evaluation expenditures***

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

#### ***Farms outs***

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized. If the consideration exceeds amounts previously capitalized, any excess is recorded in the statement of comprehensive loss.

### **3. Significant Accounting Policies (Continued)**

#### ***Impairment of assets***

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

#### ***Restoration and environmental obligations***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of restoration costs, are charged to the statement of comprehensive loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

The Company currently has no measurable restoration and environmental obligations.

### **3. Significant Accounting Policies (Continued)**

#### ***Income taxes***

##### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### ***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

### **3. Significant Accounting Policies (Continued)**

#### ***Financial instruments (continued)***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company designates its marketable securities as available for sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

#### ***Accounting standards issued but not yet applied***

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after October 1, 2014 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, is not expected to have a material effect on the Company's future results and financial position: IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9); and Amendments to IAS 32 Financial Instruments: Presentation.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Grand Peak Capital Corp.  
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For The Three Months Ended December 31, 2014 and 2013  
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#### 4. Marketable Securities

As at December 31, 2014 and September 30, 2014, the Company's marketable securities comprise of investments in shares and share purchase warrants of Canadian public and private companies. The Company designates its investment in shares as available for sale and its investment in warrants at fair value through profit and loss. Details are as follows:

December 31, 2014	Cost	Unrealized loss	Loss	Fair value
Common shares	\$ 5,578,253	\$ (4,003,451)	\$ -	\$ 1,574,802
Warrants	85,333	-	(81,333)	4,000
	\$ 5,763,586	\$ (4,003,451)	\$ (81,333)	\$ 1,578,802

  

September 30, 2014	Cost	Unrealized loss	Loss	Fair value
Common shares	\$ 5,678,253	\$ (3,856,139)	\$ -	\$ 1,822,114
Warrants	85,333	-	(81,333)	4,000
	\$ 5,763,586	\$ (3,856,139)	\$ (81,333)	\$ 1,826,114

#### 5. Exploration and Evaluation Assets

	Vianey
<b>As at September 30, 2012</b>	\$ 370,960
Acquisition	-
Exploration	14,725
Option payments received	(100,000)
<b>As at September 30, 2013</b>	\$ 285,685
Acquisition	-
Exploration	-
Option payments received	(300,000)
Gain on Vianey option agreement	14,315
<b>As at September 30, 2014</b>	\$ -

On June 7, 2011, the Company signed an agreement with Musgrove Minerals Corp. ("Musgrove") to and acquired a 100% interest in the Vianey mining concessions located in Guerrero State, Mexico for \$325,000. The Company paid \$125,000 upon the legal transfer of the concessions in December 2011 and a further \$100,000 was paid in December 2012. During the year ended September 30, 2014, the Company issued \$200,000 common shares with a fair value of \$100,000 in full settlement of the amount payable (Note 8).

On May 24, 2013, and as amended on January 16, 2014, the Company entered into an option agreement with Lucky Minerals Inc. ("Lucky"), a company with a common director, to grant Lucky a 100% interest in the Vianey mining concessions.

This schedule is presented for comparison purposes with previous periods.

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**5. Exploration and Evaluation Assets (Continued)**

Under the agreement, Lucky was required to make the following payments and incur the minimum required expenditures:

Due Date	Cash	Cash or Equivalent Shares	Expenditure Requirements
May 29, 2013	\$ 100,000 (Received)	\$ -	\$ -
June 1, 2014	-	300,000 (2,400,000 shares received)	-
December 1, 2014	-	100,000	375,000
June 1, 2015	-	100,000	-
December 1, 2015	-	100,000	450,000
Total	\$ 100,000	\$ 600,000	\$ 825,000

The Company retains a 2% NSR on the property. Lucky may purchase one-half of this NSR for \$1,000,000 on or before December 1, 2015.

Subsequent to the year ended September 30, 2014, Lucky decided to let the option agreement lapse as they were unable to meet the exploration expenditure requirement due by December 1, 2014.

**6. Other Investment**

The Company's other investment consisted of 1,000,000 common shares in a private company with a cost of \$100,000.

During the year ended September 30, 2014, management determined that they would be unable to recoup the cost of the investment and wrote off the investment.

**7. Trade payables and accrued liabilities**

	December 31, 2014	September 30, 2013
Trade payables	\$ 36,071	\$ 36,013
Accrued liabilities	14,000	14,000
	\$ 50,071	\$ 50,013

**8. Share capital**

**Authorized share capital:** Unlimited number of common shares without par value:

**Consolidation**

On January 15, 2015 the Company completed a share consolidation of its share capital on the ration of one new share for five old shares. The outstanding number of shares is now 4,929,340. The consolidation is retroactive for all shares in these statements.

**Issued share capital**

On November 8, 2013 the Company issued 200,000 common shares with a fair value of \$100,000 in full settlement of \$100,000 owing to Musgrove for the acquisition of the Vianey concessions (Note 5)

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**8. Share capital (Continued)**

***Stock options***

The Company has adopted a stock option plan whereby the Company may from time to time in accordance with the CSE requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

There were no options outstanding at December 30, 2014 or at September 30, 2014.

***Reserves***

**Share base payment reserve**

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**Investment revaluation reserve**

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses on monetary items.

**9. Related party transactions**

**Key Management Compensation**

During the three month ended December 31, 2014 the Company incurred \$Nil (December 31, 2013 - \$1,320) in accounting fees to a company owned by the Chief Financial Officer of the Company.

As at December 31, 2014, \$Nil (September 30, 2014 - \$20,000) owing from a company controlled by a relative from the CEO is included in other receivables.

As at December 31, 2014, \$36,545 (September 30, 2014 - \$38,022) owing to a company with a common director is included in trade payables.

As at December 31, 2014, \$4,750 in loans (September 30, 2014 - \$4,750) were owing to a companies with a common director. The amounts are non-interest bearing, are due on demand and are unsecured.

**10. Income taxes**

At December 31, 2014, the Company has non capital losses carried forward for Canadian income tax purposes totaling approximately \$940,000, which will expire through to 2034 and may be applied against future taxable income. The Company also has capital losses carried forward for Canadian income tax purposes totaling approximately \$4,180,000 which do not expire and are available for deduction against future capital gains.

At December 31, 2014, the resulting net deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

## **11. Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and marketable securities which are held in bank accounts and deposited with brokers, respectively. As most of the Company's cash is held by two banks, and all of the marketable securities are held by one brokerage firm, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its sale taxes receivable from the Canadian government; as such, the credit risk is minimal.

### ***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's exposure to interest rate risk is minimal.

### ***Liquidity Risk***

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

### ***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of working and share capital.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

### ***Fair value***

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.



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**11. Financial risk management (continued)**

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2014 and September 30, 2014:

As at December 31, 2014				
		Level 1	Level 2	Level 3
Cash	\$	121,001	\$ -	\$ -
Marketable securities		1,574,802	4,000	-
	\$	1,695,803	\$ 4,000	\$ -

  

As at September 30, 2014				
		Level 1	Level 2	Level 3
Cash	\$	14,133	\$ -	\$ -
Marketable securities		1,822,114	4,000	-
	\$	1,836,247	\$ 4,000	\$ -

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	December 31, 2014	September 30, 2014
Loans and receivables:		
Cash	\$ 121,001	\$ 14,133
Due from related party	-	21,000
Financial assets held at fair value through profit and loss:		
Marketable securities	1,578,802	1,826,114
	\$ 1,699,803	\$ 1,861,247

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2014	September 30, 2014
Non-derivative financial liabilities:		
Trade payables	\$ 35,980	\$ 36,013
Loans	4,750	4,750
	\$ 40,730	\$ 40,763

**12. Subsequent Events**

On January 15, 2015 the Company completed a share consolidation of its share capital on the ration of one new share for five old shares. Number of shares has been adjusted retroactively.