

**GRAND PEAK CAPITAL CORP.**

**Consolidated Financial Statements**

**For the Years Ended September 30, 2018 and 2017**

**(Expressed in Canadian Dollars)**



**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grand Peak Capital Corp.

We have audited the accompanying consolidated financial statements of Grand Peak Capital Corp., which comprise of the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grand Peak Capital Corp. as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
February 1, 2019

**GRAND PEAK CAPITAL CORP.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(Expressed in Canadian dollars)*

**GRAND PEAK CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian dollars)*

	Note	September 30 2018	September 30 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 1,088,430	\$ 750,087
Accounts receivable		108,503	298,392
Sales tax receivable		5,866	17,527
Prepaid expenses		3,760	-
Loans receivable	5	782,605	160,254
Investments in warrants	3	-	1,080,110
		1,989,164	2,306,370
<b>Non-Current Assets</b>			
Investments in warrants	3	1,461,914	-
Marketable securities	4	9,207,070	2,868,585
Equipment		921	-
<b>TOTAL ASSETS</b>		<b>\$ 12,659,069</b>	<b>\$ 5,174,955</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables and accrued liabilities	6	\$ 76,530	\$ 95,034
Deferred revenue		-	3,150
Loans payable	7	1,506,575	130,205
Convertible debenture payable	8	2,486,073	-
Income taxes payable	12	149,474	-
Advance payable		40,000	40,000
		4,258,652	268,389
<b>Non-Current Liabilities</b>			
Deferred income tax liability	12	291,178	-
<b>TOTAL LIABILITIES</b>		<b>4,549,830</b>	<b>268,389</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	9	9,610,604	9,610,604
Reserves	9	79,348	-
Accumulated other comprehensive income		5,700,909	1,795,448
Deficit		(7,281,622)	(6,499,486)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,109,239</b>	<b>4,906,566</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 12,659,069</b>	<b>\$ 5,174,955</b>

Nature of operations 1  
Subsequent events 5, 14

On behalf of the Board

"Tajinder Johal"  
Tajinder Johal, Director

"Jatinder Bains"  
Jatinder Bains, Director

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

**GRAND PEAK CAPITAL CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)***(Expressed in Canadian dollars)*

	Note	2018	2017
<b>Revenue</b>			
Consulting fee income	13	\$ 195,523	\$ 274,140
Management fee income	10, 13	345,770	233,611
Administration fee income		-	27,500
		541,293	535,251
<b>Expenses</b>			
Advertising and promotion		1,073	-
Bad debt (recovered)		(1,519)	-
Consulting fees		12,393	6,500
Office and miscellaneous		25,804	29,898
Professional fees		65,791	34,938
Rent		36,000	12,000
Transfer agent and regulatory fees		20,196	21,217
Wages and benefits		62,635	93,928
		(222,373)	(198,481)
<b>Other Items</b>			
Interest expense		(103,592)	(15,320)
Foreign exchange loss		(806)	(2,180)
Gain from forgiveness of debt	7	5,205	-
Interest income		73,773	-
Impairment of loans receivable	5	(4,540,000)	-
Impairment of marketable securities	4	-	(621,174)
Loss on debt settlement		(6,461)	-
Realized gain on marketable securities		2,609,966	464,120
Royalty income		172	19,024
Unrealized gain on investments in warrants	3	381,804	719,310
		(1,579,939)	563,780
<b>Net Income (Loss) before Income Taxes</b>		(1,261,019)	900,550
<b>Income taxes</b>			
Current tax	12	(12,449)	-
Deferred income tax recovery	12	490,882	-
		478,433	900,550
<b>Net Income (Loss) after Income Taxes</b>		(782,586)	900,550
<b>Other Comprehensive Income (Loss)</b>			
Unrealized gain on marketable securities, net of the effect of income taxes of \$889,737, (2017 - \$nil)	4, 12	4,099,122	651,217
Impairment of marketable securities	4	-	621,174
Unrealized gains and losses recognized in net income		(193,661)	(149,570)
<b>Comprehensive Income</b>		\$ 3,122,875	\$ 2,023,371
<b>Basic and diluted earnings per share</b>		\$ (0.03)	\$ 0.04
<b>Weighted Average Number of Common Shares Outstanding</b>			
<b>Basic and diluted</b>		24,988,680	24,988,680

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

**GRAND PEAK CAPITAL CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***(Expressed in Canadian dollars, except share number)*

	Issued Common Shares		Reserves	Accumulated		Total
	Number of Shares	Amount		Other Comprehensive Income	Deficit	
Balance at September 30, 2016	24,988,680	\$ 9,610,604	\$ -	\$ 672,627	\$ (7,400,036)	\$ 2,883,195
Comprehensive income						
Net income for the period	-	-	-	-	900,550	212,088
Unrealized gains and losses recognized in net income	-	-	-	(149,570)	-	-
Impairment of marketable securities	-	-	-	621,174	-	-
Unrealized gain on marketable securities	-	-	-	651,217	-	402,345
Balance at September 30, 2017	24,988,680	9,610,604	-	1,795,448	(6,499,486)	4,906,566
Convertible Debentures	-	-	79,348	-	-	79,348
Comprehensive income						
Net income (loss) for the period	-	-	-	-	(782,586)	(782,586)
Unrealized gains and losses recognized in net income	-	-	-	(193,661)	-	(193,661)
Unrealized gain on marketable securities	-	-	-	4,099,122	-	4,099,122
Balance at September 30, 2018	24,988,680	\$ 9,610,604	\$ 79,348	\$ 5,700,909	\$ (7,282,072)	\$ 8,108,789

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

**GRAND PEAK CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30,**  
*(Expressed in Canadian dollars)*

	2018	2017
<b>Operating Activities</b>		
Net income (loss)	\$ (782,586)	\$ 900,550
Adjustment for non-cash items		
Deferred income tax recovery	(478,433)	-
Realized gain on marketable securities	(2,609,966)	(464,120)
Unrealized gain on investments in warrants	(381,804)	(719,310)
Impairment of loan receivable	4,540,000	-
Impairment of marketable securities	-	621,174
Loss on debt settlement	6,461	-
Accretion	27,645	-
Accrued interest expense	73,699	13,599
Accrued interest income	(15,454)	(16,145)
Gain from forgiveness of debt	(5,205)	-
Interest received	-	13,820
Interest paid	-	(12,156)
Changes in non-cash working capital items		
Accounts receivable	189,889	(236,872)
Sales tax receivable	11,661	(14,424)
Prepays	(3,760)	-
Trade payables and accrued liabilities	(18,504)	(1,299)
Deferred revenue	(3,150)	3,150
Due to related parties	-	(2,000)
Net cash flow provided by operating activities	550,493	85,967
<b>Investing Activities</b>		
Proceeds from sale of marketable securities	2,168,747	766,798
Acquisition of marketable securities	(2,102,068)	(383,610)
Acquisition of equipment	(921)	-
Loans receivable	(3,540,000)	-
Loan repayments	150,000	1,237,000
Loans advanced	(763,358)	(156,391)
Net cash flow provided by (used in) investing activities	(4,087,600)	1,463,797
<b>Financing Activities</b>		
Issuance of convertible debentures	2,500,000	-
Loan payable	1,500,000	-
Repayment of short-term loans	(125,000)	(850,000)
Net cash flows provided by financing activities	3,875,000	(850,000)
Change in cash	337,893	699,764
Cash, beginning of year	750,087	50,323
Cash, end of year	\$ 1,087,980	\$ 750,087

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Grand Peak Capital Corp. (the “Company”) is incorporated under the Business Corporations Act of British Columbia and its principal business activity is investing in small capital 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 4770 – 72<sup>nd</sup> Street, Delta, British Columbia, Canada, V4K 3N3.

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These consolidated financial statements of the Company comply 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”).

These consolidated financial statements were approved and authorized for use by the Board of Directors on January 31, 2019.

### **Basis of Preparation**

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is also the Company’s functional currency, unless otherwise indicated. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

### **Basis of Consolidation**

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

Entity	Incorporation	Ownership Percentage
Grand Peak Mexican Holding Inc.	Canada	100%
1151101 BC Ltd.	Canada	100%
Grand Peak Mexico S.A. de C.V.	Mexico	100%

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions are eliminated upon consolidation.



## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Significant Estimates and Assumptions**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if it affects both current and future periods.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets, fair value of investments held for trading and fair values of loans receivable.

### **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;
- whether there is objective evidence that financial assets classified as available-for-sale are impaired; and
- the determination of the functional currency of the parent company and its subsidiaries

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Foreign Currency Translation**

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Canadian dollars which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into 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 the statement of loss and comprehensive loss 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 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.

**Equipment**

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Equipment is amortized at 30% per annum, using the declining balance method.

**Impairment of Assets**

The carrying amount of the Company's 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 loss and comprehensive loss.

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Impairment of Assets (Continued)**

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 pre-tax 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.

### **Share-Based Payments**

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### **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 the owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at September 30, 2018 and 2017, the Company's diluted loss per share was the same as the basic loss per share as the effect of the stock options and warrants were anti-dilutive.

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Financial Instruments**

The Company classifies its financial instruments in the following categories:

- a. fair value through profit or loss;
- b. loans and receivables;
- c. held-to-maturity;
- d. available-for-sale financial assets, and
- e. 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.

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 the impairment losses and foreign exchange gains and losses on monetary financial assets.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Financial Instruments** (Continued)

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.

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 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.

**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 and 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 Tax*

Deferred tax is recorded by providing for 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 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 tax asset to be utilized.

Deferred 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.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Income Taxes** (Continued)

Deferred tax assets and deferred 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 related to the same taxable entity and the same taxation authority.

**Accounting Standards Issued but not yet in Effect**

*IFRS 9, Financial Instruments*

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard on October 1, 2018 did not have a significant impact on the Company's consolidated financial statements.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: i. Identify the contract with the customer ii. Identify the performance obligations in the contract iii. Determine the transaction price iv. Allocate the transaction price to the performance obligations in the contracts v. Recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The adoption of this standard on October 1, 2018 did not have a significant impact on the Company's consolidated financial statements.

*IFRS 16 – Leases*

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

**GRAND PEAK CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2018  
*(Expressed in Canadian dollars)*

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**3. INVESTMENTS HELD-FOR-TRADING**

As at September 30, 2018, the Company's investments held-for-trading consist of warrants of various Canadian public companies. The Company designates its investment in warrants at fair value through profit and loss as follows:

	September 30, 2018		September 30, 2017	
Opening balance	\$	1,080,110	\$	360,800
Change in fair value		381,804		719,310
Ending balance	\$	1,461,914	\$	1,080,110

The fair value of the warrants was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	September 30, 2018		September 30, 2017	
Expected life of warrants		1.35 - 4.65		2.45 - 4.08
Annualized volatility		95% - 237%		83% - 269%
Risk-free interest rate		1.63% - 2.30%		1.66%
Dividend rate		0%		0%

**4. MARKETABLE SECURITIES**

As at September 30, 2018, the Company's marketable securities are comprised of common shares of Canadian public companies. The Company designates its investment in marketable securities as available-for-sale. The cost and fair values of the shares and warrants at September 30, 2018 and 2017 are as follows:

	September 30, 2018		September 30, 2017	
Cost	\$	6,190,761	\$	5,000,239
Fair value	\$	9,207,070	\$	2,868,585

During the year ended September 30, 2017, the Company determined that certain of its marketable securities were impaired and recognized an impairment charge of \$621,174.

**GRAND PEAK CAPITAL CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2018

*(Expressed in Canadian dollars)*

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**5. LOANS RECEIVABLE**

On November 14, 2016, the Company advanced \$6,391. This loan bore interest at 3% per annum, was unsecured and due on demand. During the year ended September 30, 2018, the Company received \$6,602 as repayment of outstanding principal balance and accrued interest receivable of the loan.

On June 28, 2017, the Company advanced \$150,000. This loan bore interest at 10% per annum, was unsecured and due on demand. During the year ended September 30, 2018, the Company received \$157,800 as repayment of outstanding principal balance and accrued interest receivable of the loan.

In November 2017, the Company acquired a note receivable from a company formerly with common management for a consideration of \$40,000. The note receivable was a loan to Easy Technologies Inc. (“borrower”) with a principal of \$180,000 at an interest rate of 5% per annum and was guaranteed by a third party related to the borrower. During the year ended September 30, 2018, the Company identified evidence this loan was impaired and recognized an impairment loss of \$40,000.

In November 2017, the Company acquired \$780,000 convertible note receivable of a company with a common director. Interest rate was 10% per annum, compounded annually and accrued until maturity date, which was one year from issuance date. The issuer had the right to repay the interest in cash or in common shares. The Company has the option to convert the note to common shares of the issuer at a conversion price of \$0.50 per share. During the year ended September 30, 2018, the convertible note receivable was repaid with accrued interest in the amount of \$810,767.

In March 2018, the Company advanced \$250,000. This loan bore interest at 10% per annum and was due 60 days from its issuance date. In addition, the Company charged the borrower a 2% fee payable on maturity date. During the year ended September 30, 2018, the Company recognized interest revenue of \$19,247 on the loan. Subsequent to the year ended September 30, 2018, this Company received full payment on this loan receivable.

In September 2018, the Company advanced \$500,000. The loan bore interest at 8% per annum and was due 1 year from its issuance date. Subsequent to the year ended September 30, 2018, the Company received \$410,082 including interest of \$10,082 and common shares of the borrower with a fair value of \$100,000.

On July 23, 2018, the Company acquired a note receivable for \$4,500,000 with consideration consisting of \$3,500,000 and of 1,176,471 common shares of the counterparty with an estimated fair value of \$1,000,000. During the year ended September 30, 2018, management identified evidence that this loan was impaired, and recognized an impairment loss of \$4,500,000.



**GRAND PEAK CAPITAL CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2018  
(Expressed in Canadian dollars)

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**5. LOANS RECEIVABLE (Continued)**

On August 8, 2018, the Company advanced \$13,358 to an unrelated company. This loan bears interest at 10% per annum, is unsecured and due on demand. Subsequent to the year ended September 30, 2018, this loan was repaid.

**6. TRADE PAYABLES AND ACCRUED LIABILITIES**

	September 30, 2018		September 30, 2017	
Trade payable	\$	61,430	\$	79,934
Accrued liabilities		15,100		15,100
	\$	76,530	\$	95,034

**7. LOANS PAYABLE**

On August 10, 2016, the Company entered into a loan agreement with a company with common directors for \$850,000. The loan bore interest at 3% per annum, was unsecured and due on demand. In January 2017, the Company paid a total of \$862,156, to fully repay the loan and interest.

During the year ended September 30, 2016, the Company entered into a loan agreement for \$125,000 with a repayment date on or before September 15, 2017. The loan bore interest at 4% per annum. As of September 30, 2018, the Company had repaid the loan and the accrued interest of \$5,205 was forgiven by the lender.

In August 2018, the Company entered into a loan agreement for \$1,500,000. The loan bears interest at 4% per annum, and is due on demand.

**8. CONVERTIBLE DEBENTURE PAYABLE**

On June 25, 2018, the Company issued convertible debentures with total principal of \$2,500,000. These convertible debentures are convertible into common shares of the Company at a conversion price of \$0.36 per share at the option of the holder. These convertible debentures are unsecured, matures one year from issuance, and bore interest of 10% per annum. The Company reserves the right to pay interest on the convertible debentures in cash or in shares.

**8. CONVERTIBLE DEBENTURE PAYABLE (Continued)**

The Company estimates 15% to be the market interest rate for a similar debt instrument without a conversion option of these convertible debentures and applied this rate to obtain the fair value (\$2,391,304) of the convertible debentures at inception. The Company applied the residual method to record the fair value of the conversion option of \$108,696 to the Company's loan reserve. The amount recorded to the loan reserve was offset by a deferred tax charge of \$29,348. As at September 30, 2018, these convertible debentures had a carrying value of \$2,418,949 with accrued interest of \$67,124, totalling \$2,486,073.

**9. SHARE CAPITAL**

**Authorized Share Capital**

Unlimited number of common shares without par value

**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 September 30, 2018, 2017 and 2016.

**Warrants**

There was no warrant outstanding at September 30, 2018, 2017, and 2016.

**10. RELATED PARTY TRANSACTIONS**

As at September 30, 2018, the Company had \$75,118 (2017 - \$75,335) due from a company with a common director of the Company recorded in accounts receivable.

During the year ended September 30, 2018, the Company performed management services for a company with a common director of the Company for total revenue of \$40,317 (2017 - \$41,000).

## **11. FINANCIAL RISK AND CAPITAL 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:

### **Market Risk**

Market risk is the risk that the fair value of, or future cash flows from the Company's investment in marketable securities will significantly fluctuate because of changes in market prices. The Company is exposed to market risk or equity risk or equity price risk in trading its investment and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company marks its investments to market in accordance with accounting policies at each reporting period. This process could result in significant write-downs of the Company's investment over one or more reporting periods, particularly during periods of declining resource markets.

Market risk includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments. Management monitors the overall market risk position on a quarterly basis.

### **Price Risk**

The Company is exposed to price risk in relation to listed marketable securities held as available-for-sale and FVTPL investment, assessed as high.

### **Interest Rate Risk**

Interest risk is the risk that the fair values 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.

### **Currency Risk**

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 currency risk as the Company does not hold financial instrument denominated in foreign currency.

## **11. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)**

### **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 loans receivable. The Company's secondary risk is its cash. The Company evaluates the creditworthiness of the counterparty and the value of any collateral. Cash is deposited in bank accounts held with a major bank in Canada. As all of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit financial institutions as determined by rating agencies.

### **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 holding of cash.

### **Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to sustain future development of the business. The capital structure of the Company consists of cash, marketable securities, and common shares as capital. There is no restriction on the Company's capital and was no change in the Company's approach to capital management during the year.

**GRAND PEAK CAPITAL CORP.**  
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**11. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)**

**Classification of Financial Instruments**

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

	Fair Value Measurement	September 30, 2018	September 30, 2017
Loans and receivables			
Cash		\$ 1,088,430	\$ 750,087
Receivables		114,369	298,392
Loan receivables		782,605	160,254
FVTPL			
Investments held for trading	Level 3	1,461,914	1,080,110
Available for sale			
Marketable securities	Level 1	9,207,070	2,868,585
		\$ 12,654,388	\$ 5,157,428

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

	September 30, 2018	September 30, 2017
Non-derivative financial liabilities		
Trade payables	\$ 61,430	\$ 79,934
Advance payable	40,000	40,000
Loan payable	1,506,575	130,205
Convertible debt payable	2,486,073	-
	\$ 4,094,078	\$ 250,139

**Fair Value**

The fair value of the Company's financial assets and liabilities approximate the carrying amount wither 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 quote 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 AND CAPITAL MANAGEMENT (Continued)**

Investments consist of common shares and share-purchase warrants of Canadian public companies (Notes 3 & 4). Investments in common shares are classified as level 1 fair value measurements. Investments in share-purchase warrants are classified as level 3 fair value measurements as the fair value estimate incorporates the use of option pricing models, where volatility is not based on observable market data.

The Company does not have any financial instruments subject to level 2 fair value measurements.

**12. INCOME TAX**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2018	September 30, 2017
Net income (loss) before taxes	\$ (1,261,019)	\$ 990,550
Statutory tax rate	27%	26%
Expected income tax expense at the statutory tax rate	(340,475)	234,000
Non-taxable items	(52,000)	(197,000)
Non-deductible expense	613,000	-
Equity component of convertible debt	(29,000)	-
Effect of adjustment to statutory tax return	(3,000)	(131,818)
Non-taxable portion of capital gain	(352,000)	-
Utilization of capital loss carryforwards	428,000	-
Current and prior year tax attributes not recognized	(743,000)	94,818
Income tax expense	\$ (478,000)	\$ -

For the year ended September 30, 2018:

- Income tax recovery recognized in profit or loss was comprised of \$12,449 of current income tax expense and \$490,882 of deferred tax recovery
- Income tax expense recognized in other comprehensive income was comprised of \$137,025 of current income tax expense and \$752,712 of deferred income tax recovery;
- \$29,348 of deferred tax was charged to reserves

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**12. INCOME TAX (continued)**

The company has the following deferred tax assets and liabilities:

	September 30, 2018	September 30, 2017
Capital losses	\$ -	\$ 518,000
Non-capital loss carry-forwards	-	278,000
Convertible debt	(22,000)	-
Loans receivable	613,000	-
Capital assets	60,000	51,000
Marketable securities	(291,000)	277,500
Canadian eligible capital	-	7,000
Less: valuation allowance	(651,000)	(1,131,500)
Net deferred tax liability	\$ (291,000)	\$ -

**13. MAJOR CUSTOMER**

One customer accounted for management fee income of \$202,250 (2017: \$18,044) and consulting fee income of \$95,000 (2017: \$ 50,000).

**14. SUBSEQUENT EVENT**

Subsequent to the year ended September 30, 2018, the Company received proceeds of \$864,658 for convertible debentures. The convertible debentures bear interest at 8% and are convertible into units of the Company at \$0.15 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$0.15 per unit for a period of one year.