

# **GRAND PEAK CAPITAL CORP.**

## **Consolidated Financial Statements**

**For the Years Ended September 30, 2019 and 2018**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Grand Peak Capital Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Grand Peak Capital Corp. (the “Company”), which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$6,693,884 during the year ended September 30, 2019 and the Company’s accumulated deficit was \$7,830,327. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matters*

The audited consolidated financial statements of Grand Peak Capital Corp. for the year ended September 30, 2018 were examined by other auditors who expressed an opinion without reservation on those statements in their report dated February 1, 2019. We have audited the adjustment as described in Note 2 to amend the 2018 statements of financial position, operations and comprehensive income (loss), changes in shareholders’ equity, and cash flows and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Company as at September 30, 2018 and for the year then ended other than with respect to the adjustment and, accordingly, we do not express any opinion on any other form of assurance on the financial statements as at September 30, 2018 and for the year ended September 30, 2018 taken as a whole.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

January 28, 2020

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

	Note	September 30, 2019	September 30, 2018 (Restated – Note 2)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 395,536	\$ 1,088,430
Accounts receivable		100,641	108,503
Sales tax receivable		-	5,866
Prepaid expenses		2,185	3,760
Loans and interest receivable	6	1,109,923	782,605
		1,608,285	1,989,164
<b>Non-Current Assets</b>			
Investments in warrants	4	459,966	1,461,914
Marketable securities	5	3,520,298	9,651,340
Investment property	7	423,091	-
Property and equipment	8	605	921
<b>TOTAL ASSETS</b>		<b>\$ 6,012,245</b>	<b>\$ 13,103,339</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables and accrued liabilities	9	\$ 117,029	\$ 76,530
Refundable deposits		3,046	-
Loans and interest payable	10	556,784	1,506,575
Convertible debenture payable	11	-	2,486,073
Income taxes payable	15	4,887	149,474
Advance payable		-	40,000
		681,746	4,258,652
<b>Non-Current Liabilities</b>			
Deferred income tax liability	15	-	291,178
Convertible debenture payable	11	2,471,681	-
<b>TOTAL LIABILITIES</b>		<b>3,153,427</b>	<b>4,549,830</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	10,450,604	9,610,604
Reserves	12	238,541	79,348
Accumulated other comprehensive income		-	5,983,690
Deficit		(7,830,327)	(7,120,133)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,858,818</b>	<b>8,553,509</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 6,012,245</b>	<b>\$ 13,103,339</b>

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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)**

FOR THE YEARS ENDED SEPTEMBER 30,

*(Expressed in Canadian dollars)*

	Note	2019	2018 (Restated – Note 2)
<b>REVENUE</b>			
Consulting fee income	\$	990	\$ 195,523
Management fee income	16	307,673	345,770
		308,663	541,293
<b>EXPENSES</b>			
Advertising and promotion		-	1,073
Bad debt (recovered)		-	(1,519)
Consulting fees		14,319	12,393
Depreciation		316	-
Office and miscellaneous		27,133	25,804
Professional fees		74,129	65,791
Rent		36,000	36,000
Transfer agent and regulatory fees		46,594	20,196
Wages and benefits		58,130	62,635
		(256,621)	(222,373)
<b>OTHER ITEMS</b>			
Interest expense	10, 11	(365,211)	(103,592)
Foreign exchange loss		(13,501)	(806)
Gain from forgiveness of debt	10	-	5,205
Gain on early repayment of convertible debentures	11	62,025	-
Interest income	6	57,432	73,773
Impairment of loans receivable	6	-	(4,540,000)
Loss on debt settlement		-	(6,461)
Write off of receivables	3	(11,789)	-
Realized gain (loss) on marketable securities	5	(338,998)	2,609,966
Unrealized loss on marketable securities	5	(5,545,755)	-
Unrealized gain (loss) on investments in warrants	4	(1,001,948)	381,804
Other income		470	172
		(7,157,275)	(1,579,939)
<b>NET LOSS BEFORE INCOME TAXES</b>		(7,105,233)	(1,261,019)
<b>INCOME TAXES</b>			
Current tax recovery (expense)	15	120,171	(12,449)
Deferred income tax recovery	15	291,178	490,882
		411,349	478,433
<b>NET LOSS AFTER INCOME TAXES</b>		(6,693,884)	(782,586)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Unrealized gain on marketable securities, net of the effect of income taxes		-	4,099,122
Realized gain (loss) recognized in net income		-	(193,661)
<b>COMPREHENSIVE INCOME</b>	\$	(6,693,884)	\$ 3,122,875

<b>BASIC LOSS PER SHARE</b>	\$	(0.06)	\$	(0.01)
<b>DILUTED LOSS PER SHARE</b>	\$	(0.06)	\$	(0.01)

<b>WEIGHTED AVERAGE NUBMER OF COMMON SHARES OUTSTANDING</b>		
Basic	108,557,940	74,957,940
Diluted	108,557,940	74,957,940

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)*

	<u>Issued Common Shares</u>							
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit (Restated – Note 2)	Total		
Balance at September 30, 2017 (Restated – Note 2)	74,966,040	\$ 9,610,604	\$ -	\$ 1,795,448	\$ (6,337,547)	\$ 4,906,566		
Convertible debentures	-	-	79,348	-	-	79,348		
Comprehensive income:								
Net loss for the year	-	-	-	-	(782,586)	(782,586)		
Unrealized gains and losses recognized in net loss	-	-	-	(193,661)	-	(193,661)		
Unrealized gain on marketable securities (restated – Note 2)	-	-	-	4,381,903	-	4,381,903		
Balance at September 30, 2018	74,966,040	9,610,604	79,348	5,983,690	(7,120,133)	8,553,509		
Convertible debentures	-	-	159,193	-	-	159,193		
Issuance of common shares for cash	33,600,000	840,000	-	-	-	840,000		
Return to treasury	(8,100)	-	-	-	-	-		
Reclassification on the adoption of IFRS 9 (Note 2)	-	-	-	(5,983,690)	5,983,690	-		
Net loss for the year	-	-	-	-	(6,693,884)	(6,693,884)		
Balance at September 30, 2019	108,557,940	\$ 10,450,604	\$ 238,541	\$ -	\$ (7,830,327)	\$ 2,858,818		

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)*

	2019	2018
		(Restated – Note 2)
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (6,693,884)	\$ (782,586)
Adjustment for non-cash items:		
Current income tax recovery	(120,171)	-
Deferred income tax recovery	(211,090)	(478,433)
Realized gain on marketable securities	338,998	(2,609,966)
Unrealized gain (loss) on investments in warrants	1,001,948	(381,804)
Unrealized gain on marketable securities	5,545,755	-
Impairment of loan receivable	-	4,540,000
Accretion	119,350	27,645
Accrued interest expense	118,106	73,699
Accrued interest income	7,316	(15,454)
Depreciation	316	-
Gain from forgiveness of debt	-	(5,205)
Gain on early repayment of convertible debt	(62,025)	-
Loss on debt settlement	-	6,461
Write off of receivables	11,789	-
Changes in non-cash working capital items:		
Accounts receivable	1,939	190,339
Sales tax receivable	-	11,661
Prepays	1,575	(3,760)
Trade payables and accrued liabilities	48,714	(18,504)
Income taxes payable	(24,416)	-
Deferred revenue	-	(3,150)
Refundable deposits	3,046	-
Net cash flow provided by operating activities	87,266	550,943
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	862,106	2,168,747
Acquisition of marketable securities	(519,459)	(2,102,068)
Acquisition of investment properties	(423,091)	-
Acquisition of property and equipment	-	(921)
Loans receivable	-	(3,540,000)
Loan repayments	728,820	150,000
Loans advanced	(1,107,485)	(763,358)
Net cash flow used in investing activities	(459,109)	(4,087,600)
<b>FINANCING ACTIVITIES</b>		
Issuance of convertible debentures	3,240,000	2,500,000
Retirement of convertible debentures	(3,330,082)	-
Issuance of common shares	840,000	-
Proceeds from loans	900,000	1,500,000
Repayment of loans	(1,915,000)	(125,000)
Interest payment	(55,969)	-
Net cash flows (used in) provided by financing activities	(321,051)	3,875,000
Change in cash during the year	(692,894)	338,343
Cash, beginning of year	1,088,430	750,087
Cash, end of year	\$ 395,536	\$ 1,088,430

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 is a diversified industry investment company. The Company invests in high quality cash flow assets across multiple industries, including real estate ventures in Canada and the USA, securities, early stage venture capital companies and leasing and growing hemp on land in Canada and the USA.

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.

As at September 30, 2019, the Company had a working capital of \$926,539 (2018 deficiency- \$2,269,488), incurred losses for the current year of \$6,693,884 (2018 - \$782,586), and has an accumulated deficit of \$7,830,327 (2018 - \$7,120,133). The Company’s ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and to generate funds therefrom. There can be no assurance that the Company is will be able to generate sufficient revenue from its sales or raise adequate financing to fund operations. These circumstances comprise a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumptions inappropriate. These adjustments could be material.

## **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 28, 2020.

### **Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for financial instruments classified as and measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is also the Company’s and all its subsidiaries’ 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.

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

### **Restatement of Prior Period**

The Company has determined that certain marketable securities should have been recorded (Note 5). The effect of the restatement is to increase marketable securities by \$444,270, unrealized gain on marketable securities by \$282,781 and decrease deficit by \$161,489. The net impact on the consolidated statement of cash flows was \$nil.

### **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%
Grand Peak USA, Inc.	USA	100%
Fruitridge 65 LLC	USA	100%

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

The Company does not have mineral interest in Mexico and accordingly, the Company has determined that Grand Peak Mexico S.A. de C.V., is no longer required and will therefore be wound up. See Note 3.

### **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 Judgements**

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;
- 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 and all of its subsidiaries.

Foreign currency transactions are 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 are determined.

### **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.

### **Investment Properties**

Investment properties comprise residential property held either to earn rental income or for capital appreciation or both. Investment properties include land and buildings, and are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost; the estimated useful life of the building; its components, and residual value. Depreciation methods, useful lives and residual values are reviewed annually and adjusted as required.

Repair and maintenance improvements are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized and amortized on a straight-line basis over the expected useful life of the improvement.

Note 7 discloses the investment properties' fair values. The following approaches either individually or in combination, are used by management, together with appraisers, in their determination of the fair value of investment properties:

- The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.
- The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject property and adjusting for any significant differences between them.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of operations and comprehensive income (loss) in the year of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

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

### **Impairment of Assets**

The carrying amount of the Company's non-financial 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.

The recoverable amount of non-financial 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.

### **Earnings (Loss) Per Share**

Basic earnings (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 earnings (loss) attributable to common shareholders equals the reported earnings (loss) attributable to the owners of the Company. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the diluted earnings (loss) per share is determined by adjusting the earnings (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.

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

### **Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The value of common shares and warrants issued as private placement units is measured using the residual value method, which first allocates value to the more easily measurable component based on fair value (common shares in the private placements) and then the residual value, if any, to the less easily measurable component (warrants in the private placements). Warrants that are issued as agency compensation or other transaction costs are accounted for as share issue costs.

### **Revenue**

Revenue from services provided is recognized at the point in time when services were rendered. The Company satisfies its performance obligation upon delivery of services.

### **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 possible 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.

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.

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

### **New Accounting Policies**

#### **Financial Instruments**

##### **Adoption of New IFRS Pronouncements – financial instruments**

On October 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial assets and a single, forward-looking ‘expected loss’ impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after October 1, 2018. The Company adopted the standard retrospectively and prior periods were not restated. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities except for marketable securities (Note 5).

As a result of adopting this standard, the Company has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. An assessment has been made and the impact to the Company’s financial statements was to reclassify its available-for-sale marketable securities to fair value through profit or loss. As the Company adopted IFRS 9 retrospectively without restatement of comparative amounts, this resulted in a reclassification of \$5,983,690 from accumulated other comprehensive income to deficit on October 1, 2018. Future changes in the fair value of these marketable securities will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

The Company completed an assessment of its financial instruments as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable and other receivables	Loans and receivables – amortized cost	Amortized cost
Marketable securities	Available-for-sale	FVTPL
Investment in warrants	FVTPL	FVTPL
Loans and interests receivable	Loans and receivables – amortized cost	Amortized cost
Trade payables and accrued liabilities and other payables	Other financial liabilities – amortized cost	Amortized cost
Loans and interests payable	Other financial liabilities – amortized cost	Amortized cost
Convertible debenture payable	Other financial liabilities – amortized cost	Amortized cost

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

#### *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

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

### **New Accounting Policies (Continued)**

#### **Financial Instruments (Continued)**

##### *Measurement*

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive income (loss) in the period in which they arise.

##### *Impairment of financial assets at amortized cost*

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### *Derecognition*

##### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive income (loss).

### **Revenue from Contracts with Customers**

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) as of October 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact accumulated deficit or any assets and liabilities on the transition date.

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

#### *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. The adoption of this standard on October 1, 2019 did not have a significant impact on the Company’s consolidated financial statements.



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### 3. DISPOSAL OF SUBSIDIARY

The Company does not have any mineral interest in Mexico and accordingly, the Company has determined that Grand Peak Mexico S.A. de C.V., is no longer required and will therefore be wound up. The assets, consisting of sales tax receivable of \$11,789, that were on the books of the Mexican subsidiary were written off.

### 4. INVESTMENTS IN WARRANTS

As at September 30, 2019, the Company's investments in warrants consists of share-purchase warrants of Canadian public companies which are measured at fair value. The fair values of the warrants are as follows:

	September 30, 2019	September 30, 2018
Opening balance	\$ 1,461,914	\$ 1,080,110
Change in fair value	(1,001,948)	381,804
Ending balance	\$ 459,966	\$ 1,461,914

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

	September 30, 2019	September 30, 2018
Expected life of warrants	0.35 – 2.08 years	1.35 – 4.65 years
Annualized volatility	45% - 167%	95% - 237%
Risk-free interest rate	1.50%	1.63% - 2.30%
Dividend rate	0%	0%

### 5. MARKETABLE SECURITIES

As at September 30, 2019, the Company's marketable securities comprise of investments in common shares of Canadian public companies. The Company designates its investment in common shares as fair value through profit or loss ("FVTPL"). The cost and fair values of the shares at September 30, 2019 and September 30, 2018 are as follows:

	September 30, 2019	September 30, 2018 (Restated – Note 2)
Cost	\$ 7,387,793	\$ 6,240,761
Fair value	\$ 3,520,298	\$ 9,651,340

### 6. 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.

**6. LOANS RECEIVABLE (Continued)**

In November 2017, the Company acquired a note receivable from a company 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 a \$780,000 convertible note receivable of an unrelated entity. The loan bore interest at a rate of 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 to an unrelated entity. 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 the maturity date. During the year ended September 30, 2018, the Company recognized interest revenue of \$19,247 on the loan. During the year ended September 30, 2019, the Company received \$276,507 including principal and interest as full repayment of this loan.

On July 23, 2018, the Company acquired a note receivable for \$4,500,000 with consideration consisting of \$3,500,000 and 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. In September 2019, the Company signed a promissory note with the borrower, whereby the borrower agreed to repay the Company \$6,621,500 (US\$5,000,000) at an interest rate of 10% per annum, payable each month and the loan will be due March 30, 2020. There is no indication that the credit risk of the counterparty has changed as at September 30, 2019, accordingly the carrying value of this note receivable remains to be \$nil (2018 - \$nil)

On August 8, 2018, the Company advanced \$13,358 to an unrelated company. This loan bore interest at 10% per annum, was unsecured and due on demand. During the year ended September 30, 2019, the Company received \$13,650 including principal and interest as full repayment of this loan.

In September 30, 2018, the Company advanced \$500,000 to an unrelated entity. This loan bore interest at 8% per annum and was due 1 year from its issuance date. During the year ended September 30, 2019, the Company received \$410,082 including interest of \$10,082 and common shares of the borrower with a fair value of \$100,000 as repayment of the loan.

On January 21, 2019, the Company advanced \$71,000 to an unrelated company. This loan bears interests at 5% per annum, is unsecured and due on demand. The Company recorded an accrued interest of \$2,451 for the year ended September 30, 2019.

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**6. LOANS RECEIVABLE (Continued)**

In April 2019, the Company advanced \$602,370 (US\$450,000) to an unrelated company (the “Borrower”) to acquire a property in California, USA. The loan bore interest at 10% per annum, with a California property as collateral and a personal guarantee by the CEO of the Borrower. The loan will be due on December 31, 2019. The Company received \$28,582 as interest payments and has accrued interest of \$2,231 during the year ended September 30, 2019. Subsequent to the year end, the loan was amended (Note 17).

On September 9, 2019, the Company advanced \$434,115 (US\$330,000) to an unrelated company at an interest rate of 10% per annum; the loan is unsecured and due on demand. The Company recorded an accrued interest of \$2,634 for the year ended September 30, 2019.

	September 30, 2019		September 30, 2018	
Balance at September 30, 2018 and 2017	\$	782,605	\$	160,254
Loans advanced		1,107,485		6,083,358
Loans repaid		(828,820)		(975,169)
Interests earned		53,411		54,162
Loans impaired		-		(4,540,000)
Foreign exchange		(4,758)		-
Balance at September 30, 2019 and 2018	\$	1,109,923	\$	782,605

**7. INVESTMENT PROPERTY**

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company’s investment property which is comprised of land and building:

	2019		2018	
<b>Cost:</b>				
Balance at September 30, 2018 and 2017	\$	-	\$	-
Additions		423,091		-
Balance at September 30, 2019 and 2018	\$	423,091	\$	-
<b>Depreciation:</b>				
Balance at September 30, 2018 and 2017	\$	-	\$	-
Depreciation for the year		-		-
Balance at September 30, 2019 and 2018	\$	-	\$	-
Net carrying amount at September 30, 2019 and 2018	\$	423,091	\$	-

Investment properties were acquired on September 30, 2019 and therefore, no depreciation was taken and no rental income was generated for 2019. The Company estimated the fair value of its investment property to be approximately \$524,000 using the recent sales prices of comparable properties.

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**8. EQUIPMENT**

	Equipment	Total
	(\$)	(\$)
<b>Cost:</b>		
At September 30, 2017	-	-
Additions	947	947
At September 30, 2018	947	947
Additions	-	-
At September 30, 2019	947	947
<b>Depreciation:</b>		
At September 30, 2017	-	-
Charge for the year	26	26
At September 30, 2018	26	26
Charge for the year	316	316
At September 30, 2019	342	342
<b>Net Book Value:</b>		
At September 30, 2018	921	921
At September 30, 2019	605	605

**9. TRADE PAYABLES AND ACCRUED LIABILITIES**

	September 30, 2019	September 30, 2018
Trade payable	\$ 93,138	\$ 61,430
Accrued liabilities	23,891	15,100
	\$ 117,029	\$ 76,530

**10. LOANS PAYABLE**

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 of \$1,500,000 to an unrelated entity. This loan bears interest at 4% per annum, and is due on demand. During the year ended September 30, 2019, the Company made a payment of \$975,000 towards the principal; thereby, reducing the principal to \$525,000. The Company recorded an accrued interest of \$31,784 (2018 - \$6,575) for the year ended September 30, 2019.

In March 2019, the Company entered into a loan agreement of \$400,000 with an unrelated entity. This loan bears interest at 8% per annum, and is due on demand. During the year ended September 30, 2019, the Company made a payment of \$415,079 as repayment of the loan and accrued interest.

In March 2019, the Company entered into a loan agreement of \$400,000 with an unrelated entity. This loan bears interest at 8% per annum, and is due on demand. During the year ended September 30, 2019, the Company made a total payment of \$403,244 to the lender as repayment of the loan and accrued interest.

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**10. LOANS PAYABLE (Continued)**

In March 2019, the Company entered into a loan agreement of \$100,000 with an unrelated entity. This loan bears interest at 8% per annum, and is due on demand. During the year ended September 30, 2019, the Company made a total payment of \$103,770 to the lender as repayment of the loan and accrued interest.

	September 30, 2019	September 30, 2018
Balance at September 30, 2018 and 2017	\$ 1,506,575	\$ 130,205
Loans borrowed	900,000	1,500,000
Loans repaid	(1,897,093)	(125,000)
Interest accrued	25,209	6,575
Interest forgiven	-	(5,205)
Interest paid	22,093	-
Balance at September 30, 2019 and 2018	\$ 556,784	\$ 1,506,575

**11. 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, mature one year from issuance, and carry an interest rate of 10% per annum. The Company reserves the right to pay interest on the convertible debentures in cash or in shares.

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, totaling \$2,486,073. During the fiscal 2019, the Company had repaid \$2,660,821 in principal and interest to repay the full balance outstanding. As a result of early repayment, the equity component was reduced to \$Nil and a gain of \$62,025 was recognized on early repayment.

In January 2019, the Company issued convertible debentures with total principal of \$2,140,000. These convertible debentures are convertible into units of the Company at a conversion price of \$0.15 per unit; each unit consists of one common share and one common share purchase warrant of the Company exercisable for one year from the conversion date. These convertible debentures are unsecured, mature 2 years from issuance, and carry an interest rate of 8% per annum. The Company reserves the right to pay interest by cash payment of 4% and issuance of shares at the market price corresponding to 4% of accrued interest payable.

The Company estimates 13% 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 (\$1,944,083) of the convertible debentures at inception. The Company applied the residual method to record the fair value of the conversion option of \$195,917 to the Company's loan reserve. During the year the Company paid a total of \$687,452 to three holders of these convertible debentures which included \$680,000 in principal and \$7,452 in accrued interest. As a result of early repayment the equity component was reduced to \$137,836. As at September 30, 2019, these convertible debentures had a carrying value of \$1,372,050 with accrued interest of \$79,888, totaling \$1,451,927.

## **11. CONVERTIBLE DEBENTURE PAYABLE (Continued)**

In August 2019, the Company issued convertible debentures with total principal of \$1,100,000. These convertible debentures are convertible into units of the Company at a conversion price of \$0.20 per unit; each unit consists of one common share and one common share purchase warrant of the Company exercisable for one year from conversion date. These convertible debentures are unsecured, mature 2 years from issuance, and carry an interest rate of 8% per annum. The Company reserves the right to pay interest by cash payment of 4% and issuance of shares at the market price corresponding to 4% of accrued interest payable.

The Company estimates 13% 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 (\$999,295) of the convertible debentures at inception. The Company applied the residual method to record the fair value of the conversion option of \$100,705 to the Company's loan reserve. As at September 30, 2019, these convertible debentures had a carrying value of \$1,005,987 with accrued interest of \$13,260, totaling \$1,019,247.

Subsequent to the year ended September 30, 2019, the Company and the debenture holders reached an agreement to reprice the conversion amount and the maturity dates of the debentures. The new conversion price and maturity date of all outstanding convertible debentures will be \$1.00 per unit and mature on December 31, 2020.

## **12. SHARE CAPITAL**

### **Authorized Share Capital**

Unlimited number of common shares without par value

### **Stock Split**

On May 17, 2019, the Company had a three for one stock split of its issued and outstanding common shares. Total issued and outstanding shares post stock split was 108,557,940. All share numbers in the consolidated financial statements are reported on a post stock split basis.

### **Share Issuance**

In March 2019, the Company issued 33,600,000 units at a price of \$0.025 per unit for gross proceeds of \$840,000. Each unit consists of one common share of the Company and one common share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.033 per share for a period of five years. Using the residual method, the entire proceeds of \$840,000 were allocated to the shares and \$nil to the warrants.

### **Return to Treasury**

During the year ended September 30, 2019, the Company made an adjustment to its share capital by cancelling 8,100 common shares and return them to treasury. This adjustment was to correct rounding errors in prior years so the number of shares outstanding agrees to the Company's share registries.

## **12. 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 was no option outstanding at September 30, 2019, September 30, 2018 and September 30, 2017.

### **Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average Exercise Price	Number of Warrants
Balance at September 30, 2018 and 2017	\$ -	-
Issuance of warrants	0.03	33,600,000
Cancellation of warrants	0.03	(33,600,000)
Balance at September 30, 2019	-	-

During the year ended September 30, 2019, the Company cancelled all the warrants; as a result, there was no warrant outstanding as at September 30, 2019.

## **13. RELATED PARTY TRANSACTIONS**

As at September 30, 2019, the Company had \$nil (2018 - \$75,118) due from a company with a former 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 former common director for total revenue of \$40,317. This company is no longer considered a related party in 2019

## **14. 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:

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

##### **Market Risk**

###### *Marketable Securities*

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 places. 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.

###### *Investment Property*

The Company is exposed to market risk for its investment property in relation to the changes in market price for fair value of the investment property.

##### **Price Risk**

The Company is exposed to price risk in relation to listed marketable securities held as FVTPL investment.

##### **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 as the Company does not have variable interest bearing asset or debt.

##### **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 exposed to currency risk on cash and loans receivables denominated in United States dollars. At September 30, 2019, a hypothetical change of 10% in foreign exchange rates would have an effect of \$136,877 on net loss and comprehensive loss.

##### **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 and accounts receivables. 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.



#### 14. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

##### 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 considers items in its shareholders' equity as capital. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and safeguard the Company's ability to sustain future development of the business. There is no restriction on the Company's capital and was no change in the Company's approach to capital management during the year.

##### Classification of Financial Instruments

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

	Fair Value Measurement	September 30, 2019	September 30, 2018
Financial assets at amortized cost			
Receivables	\$	100,641	\$ 114,369
Loan receivables		1,109,923	782,605
FVTPL			
Cash		395,536	1,088,430
Investments in warrants	Level 3	459,966	1,461,914
Marketable securities	Level 1	3,520,298	9,651,340
	\$	5,586,364	\$ 13,098,658

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

	September 30, 2019	September 30, 2018
Financial liabilities		
Trade payables and accrued liabilities	\$ 117,029	\$ 76,530
Advance payable	-	40,000
Loan payable	556,783	1,506,575
Convertible debt payable	2,467,892	2,486,073
	\$ 3,141,704	\$ 4,109,178

##### Fair Value

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

#### 14. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

##### **Fair Value (continued)**

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.

Investments consist of common shares and share-purchase warrants of Canadian public companies (Notes 4 & 5). Investments in common shares are measured using level 1 fair value measurements. Investments in share-purchase warrants are measured using 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.

#### 15. INCOME TAX

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

	September 30, 2019	September 30, 2018
Net loss before taxes	\$ (7,105,233)	\$ (1,261,019)
Statutory tax rate	27%	27%
Expected income tax (recovery)	(1,918,000)	(340,000)
Change in statutory, foreign tax, foreign exchange rates and other	(349,000)	399,000
Permanent differences	1,151,000	209,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(264,000)	(3,000)
Change in unrecognized deductible temporary differences	969,000	(743,000)
Income tax expense	\$ (411,000)	\$ (478,000)

For the year ended September 30, 2019:

- Income tax recovery recognized in profit of loss was comprised of \$120,171 (2018: (12,449)) of current income tax expense and \$291,178 (2018: 490,882) of deferred tax recovery.

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**15. INCOME TAX (Continued)**

The Company has the following deferred tax assets and liabilities:

	September 30, 2019	September 30, 2018
Allowable Capital losses	\$ 57,000	\$ -
Non-capital loss carry-forwards	49,000	-
Convertible debt	(49,000)	(22,000)
Loans receivable	-	22,000
Marketable securities	-	(291,000)
Investments in warrants	(57,000)	-
Net deferred tax liability	\$ -	\$ (291,000)

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been recognized on the statement of financial position are as follows:

	2019	Expiry dates	2018	Expiry dates
Loans receivable	\$ -	No expiry	\$2,189,000	No expiry
Property and equipment	161,000	No expiry	222,000	No expiry
Marketable securities	3,867,000	No expiry	-	No expiry
Allowable capital losses:	3,680,000	No expiry	-	No expiry
Non-capital losses available for future periods	13,000	2039	-	No expiry

**16. MAJOR CUSTOMER**

One customer accounted for management fee income of \$162,909 (2018 - \$202,250) and consulting fee income of \$nil (2018 - \$95,000).

**17. SUBSEQUENT EVENTS**

- a) On January 10, 2020, the Company and the Borrower of the \$602,370 (US\$450,000) loan receivable (see Note 6) agreed to extend the due date of the loan to April 30, 2020, and the Borrower agreed to pay the Company \$32,628 (US\$25,000) as consideration for the extension of the loan and will continue to make monthly interest payments of US\$3,750.
- b) Also see Note 11 for amendments made to outstanding convertible debenture balances.