



CAPITAL CORP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020**

The following discussion and analysis of the financial condition and results of operations of Grand Peak Capital Corp. (the "Company" or "Grand Peak") should be read in conjunction with the audited consolidated financial statements and related notes for the year ended September 30, 2020. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company and other regulatory filings can be found on SEDAR website at www.sedar.com.

The Company's head office and principal business address is 4770 – 72nd Street, Delta, British Columbia V4K 3N3. The Company is listed on the Canadian Securities Exchange (the "CSE") and trades under the symbol "GPK".

The Company's audit committee reviews the financial statements and the MD&A and recommends approval to the Company's board of directors.

This MD&A is dated January 28, 2021.

FORWARD-LOOKING STATEMENTS

Forward looking statements are statements that are not historical facts and are generally, but not always identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "may", "could" or "should" occur. The information contained herein may contain forward looking statements including expectations of future production, cash flows or earnings. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. Factors that could cause the actual results to differ materially from those in forward-looking statements, but are not limited to: the risk associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. The foregoing list of assumptions is not exhaustive. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's reports on file with Canadian securities regulatory authorities. Events or circumstances could cause results to differ materially.

DESCRIPTION OF BUSINESS AND REVIEW

Grand Peak is a diversified industry investment company. Grand Peak 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.

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SELECTED ANNUAL INFORMATION	2020	2019	2018(Restat ed)
	\$	\$	\$
Total Revenue	307,274	308,663	541,293
Unrealized gain (loss) on marketable securities	1,248,061	(5,545,755)	-
Unrealized gain (loss) on investments in warrants	47,425	(1,001,948)	381,804
Recovery (impairment) of loans receivable	2,018,482	-	(4,540,000)
Net income (loss) and comprehensive income (loss)	3,236,059	(6,693,884)	3,122,875
Income (loss) per share, basic and diluted	0.03	(0.06)	(0.01)
Total Assets	9,371,148	6,012,245	13,103,339
Total non-current financial liabilities	-	2,471,681	291,178

The Company invests in high quality cash flow assets across multiple industries, including real estate ventures in Canada and the USA, marketable securities, early stage venture capital companies and leasing and growing hemp on land in Canada and the USA. The investments in marketable securities throughout these three years were significant. The Company's loss during these three years comprised of significant amount of gain (loss) arising from the investments in marketable securities and warrants of which the fair values have been and will fluctuate from time to time due to the nature of the capital market. The Company's annual performance is also affected by incidental events such as recovery or impairment of loan receivable as reported in fiscal 2020, 2019 and 2018.

SELECTED QUARTERLY FINANCIAL DATA

The Company's operations are not subject to seasonality. The following selected financial data for the past eight business quarters have been summarized from the Company's unaudited quarterly financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such financial statements:

	2020 Q4	2020 Q3	2020 Q2	2020 Q1
	\$	\$	\$	\$
Revenues	49,617	93,986	71,880	91,791
Net income (loss) and comprehensive income (loss)	3,587,274	920,907	(776,977)	(495,145)
Basic earnings (loss) per share	0.03	0.01	(0.01)	(0.00)
Weighted average number of shares - basic and diluted	108,557,940	108,557,940	108,557,940	108,557,940
	2019 Q4	2019 Q3	2019 Q2	2019 Q1
	\$	\$	\$	\$
Revenues	46,777	100,977	70,859	90,050
Net income (loss) and comprehensive income (loss)	(3,215,371)	(3,061,407)	(4,953,251)	4,536,145
Basic earnings (loss) per share	(0.03)	(0.03)	(0.07)	0.06
Weighted average number of shares - basic and diluted	108,557,940	108,557,940	75,489,939	74,957,940

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OVERALL PERFORMANCE

Results for the year ended September 30, 2020

Year ended September 30,	2020	2019	Change
Revenue	\$	\$	\$
Consulting fee income	-	990	(990)
Management fee income	280,214	307,673	(27,459)
Rental income, net of cost (2020 \$3,394, 2019 \$Nil)	27,060	-	27,060
Total	307,274	308,663	(1,389)
Expenses			-
Bad debt (recovered)	(7,881)	-	(7,881)
Consulting fees	7,850	14,319	(6,469)
Depreciation	11,656	316	11,340
Office and miscellaneous	39,444	27,133	12,311
Professional fees	85,542	74,129	11,413
Rent	36,000	36,000	-
Transfer agent and regulatory fees	22,274	46,594	(24,320)
Wages and benefits	62,894	58,130	4,764
Total	257,779	256,621	1,158
Other items			
Interest income	73,152	57,432	15,720
Interest and accretion expense	(331,903)	(365,211)	33,308
Finance fees income	45,884	-	45,884
Foreign exchange gain (loss)	18,381	(13,501)	31,882
Gain on early repayment of convertible debentures	-	62,025	(62,025)
Gain on settlement of trades payable and loan payable	26,278	-	26,278
Loss on settlement of loans receivable	(12,828)	-	(12,828)
Loss on modification of convertible debentures	(44,148)	-	(44,148)
Realized loss on disposition of marketable securities	(54,391)	(338,998)	284,607
Realized gain on exercise of warrants	128,041	-	128,041
Recovery of loan receivable (ii)	2,018,482	-	2,018,482
Write off of accounts receivables	-	(11,789)	11,789
Unrealized gain (loss) on marketable securities (i)	1,248,061	(5,545,755)	6,793,816
Unrealized gain (loss) on investment in warrants (i)	47,425	(1,001,948)	1,049,373
Other income	-	470	(470)
Total	3,162,434	(7,157,275)	10,319,709
Income (loss) before income taxes	3,211,929	(7,105,233)	10,317,162
Current tax recovery	24,130	120,171	(96,041)
Deferred income tax recovery	-	291,178	(291,178)
Total taxes	24,130	411,349	(387,219)
Net income (loss) and comprehensive income (loss)	3,236,059	(6,693,884)	9,929,943

The Company reported a net income of \$3.2 million compared to a net loss of \$6.7 million in 2019. The significant factors that contributed to the increase of net income in 2020 are as follows:

i) During fiscal 2020, the Company reported an unrealized gain from investments in marketable securities and investments in warrants totalling \$1.3 million compared to \$6.5 million unrealized loss in 2019 for an increase of

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unrealized gain of \$7.8 million . The Company expects the unrealized gain (loss) from the investments will continue to fluctuate in the future due to the nature of the capital market.

ii) In 2018, the Company wrote off a loan receivable and recorded an impairment loss of \$4.5 million. Subsequent to the year ended September 30, 2020, the Company received 1,100,000 restricted common shares of the borrower as a partial repayment of \$2,018,462 (US\$1,500,000) of the loan receivable. These common shares are tradable on the Nasdaq Stock Exchange once the restriction is removed by the borrower. As a result, the Company has recorded a recovery of loan receivable of \$2 million for the fiscal 2020.

The total operating expenses of \$257,779 incurred in 2020 is not significantly different compared to \$256,621 in 2019.

Results for the quarter ended September 30, 2020 (“2020 Q4)

	2020 Q4	2019 Q4	Change Q4 2020/2019
Revenue			
Consulting fee income	-	190	(190)
Management fee income	44,020	46,587	(2,567)
Rental income, net of cost	5,598	-	5,598
	49,618	46,777	2,841
Expenses			
Bad debt (recovered)	(7,881)	-	(7,881)
Consulting fees	850	-	850
Depreciation	(3,424)	316	(3,740)
Office and miscellaneous	14,020	8,975	5,045
Professional fees	26,889	12,954	13,935
Rent	9,000	(5,810)	14,810
Transfer agent and regulatory fees	1,960	13,037	(11,077)
Wages and benefits	20,616	14,386	6,230
	62,030	43,858	18,172
Other items			
Interest income	(33,438)	21,177	(54,615)
Interest and accretion expense	(119,048)	(2,622)	(116,426)
Finance fees income	45,884	-	45,884
Foreign exchange gain (loss)	(47,402)	(9,141)	(38,261)
Gain on early repayment of convertible debentures	-	62,025	(62,025)
Gain on settlement of trade payable and loan payable	5,328	57	5,271
Loss on settlement of loans receivable	(12,828)	-	(12,828)
Loss on modification of convertible debentures	58,184	-	58,184
Realized loss on disposition of marketable securities	405,967	105,132	300,835
Realized gain on exercise of warrants	128,041	-	128,041
Recovery of loan receivable	2,018,482	-	2,018,482
Write off of receivables	-	(11,789)	11,789
Unrealized gain (loss) on marketable securities	674,078	(3,804,509)	4,478,587
Unrealized gain (loss) on investments in warrants	476,736	(86,295)	563,031
Other income	(24,428)	(57)	(24,371)
Loss on disposition of subsidiary	-	96,384	(96,384)
Total other items	3,575,556	(3,629,638)	7,205,194
Income / loss for the period	3,563,144	(3,626,719)	7,189,863
Current tax recovery	24,130	120,171	(96,041)
Deferred income tax recovery	-	291,178	(291,178)
Net income (loss) and comprehensive income (loss)	3,587,274	(3,215,370)	6,802,644

The Company reported a net income of \$3.6 million during the fourth quarter of 2020 compared to a net loss of \$3.2 million in the same quarter in 2019. The significant factors that contributed to the increase of net income in the fourth quarter of 2020 are same as those for the annual performance that have been discussed in the above section.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's principal assets consist of cash, marketable securities, investments in warrants, and loans receivable. The Company has not had a reliable source of income that can finance its daily operations. The Company's principal sources of funds relies on debt and equity financing. The Company has a record to secure financing when needed in the past. However, there is no guarantee the Company can get financing in the future when needed. The Company has no recurring cash requirements other than corporate overheads.

As at September 30, 2020, the Company had a working capital of \$5,104,350. However, the Company is not able to finance its daily operations by the revenue generated. There is no assurance that the Company is able to generate sufficient revenue from its operations or raise adequate financing to fund operations in the future. The Company has a history of obtaining financing when needed in the past. However, there is no guarantee the Company is able to do so in the future.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has no proposed transactions at this time.

FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT

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

Market Risk

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.

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 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.

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Price Risk

The Company is exposed to price risk in relation to listed marketable securities and warrants 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, 2020, a hypothetical change of 10% in foreign exchange rates would have an effect of \$219,602 (2019 - \$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.

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.

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Financial instruments

Fair value

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

Classification

	Fair value hierarchy level	30-Sept-2020	30-Sept-2019
Financial assets at amortized cost			
Accounts receivable		44,627	100,641
Loan and interest receivable		2,338,649	1,109,923
Fair-value-through-profit-and-loss (FVTPL)			
Cash	1	425,155	395,536
Investments in warrants	3	405,932	459,966
Marketable securities	1	5,166,258	3,520,298
Financial liabilities at amortized cost			
Accounts payable and accrued		40,423	117,029
Loan and interest payable		407,307	556,783
Convertible debentures		2,828,541	2,471,681

SHARES DATA

As at the date of this report, there were 108,557,940 common shares outstanding.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During 2020, the Company had the following transactions with entities related to one director (Sonny Janda or “Mr. Janda”) of the Company:

1) On September 9, 2019, the Company advanced \$434,115 (US\$330,000) to a company at an interest rate of 10% per annum. The loan was unsecured and due on demand. As at September 30, 2020, the outstanding balance of this loan receivable was \$436,149 with accrued interest of \$2,231 inclusive. The principal of this loan was fully repaid on June 30, 2020. The Company advanced a new unsecured loan of \$300,000 to this borrower at an interest rate of 5% per annum. This new loan will mature on August 7, 2021. As at September 30, 2020, the outstanding balance from this borrower was \$337,799 (principal of \$300,000 and accrued interest of \$37,799). Mr. Janda is a significant shareholder of this borrower

2) In March 2020, the Company advanced \$145,677 (US\$110,000) to a company of which Mr. Janda is a director of. This loan is unsecured, has an interest of 10% per annum, and due on May 31, 2020 which was subsequently extended to December 31, 2020. The Company also earned and received a finance fee of \$13,243 (US\$10,000) on inception. The Company agreed to fully settle the loan for repayment of \$137,078 (US\$105,000) and forfeited \$6,528(US\$5,000) in principal and \$6,300(US\$4,617) in interest. As a result, the Company recognized a loss on loan settlement of \$12,828.

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3) The Company has earned management fee income totalling \$203,144 from two companies of which Mr. Janda is also a director and/or officers of these two companies.

4) The Company bought four parcels of vacant land during 2020 with consideration totalling \$578,487 (US\$430,000) for investment purpose (Note 6) from a Company of which Mr. Janda is a significant shareholder .

5) During 2020, the Company was charged an office rent of \$36,000 by a landlord for a month-to-month rental arrangement. Mr. Janda is also a significant shareholder of this landlord. During 2020, the landlord had agreed to write off payables for rent previously charged. The Company recorded a gain of \$20,950 on settlement of trades payable.

INTERNAL FINANCIAL CONTROLS

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI52-109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2 of the September 30, 2020 audited financial statements.

NEW ACCOUNTING STANDARDS INCLUDING ADOPTION

Commencing October 1, 2020, the Company adopted IFRS 16- leases. The adoption of this new standard did not have significant impacts to the Company's consolidated financial statements.
