



CAPITAL CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED DECEMBER 31, 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 three months ended December 31, 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 210-9648 128 Street, Surrey, British Columbia V3Y 2X9. The Company is listed on the Canadian Securities Exchange (the "CSE") and trades under the symbol "GPK".

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

This MD&A is dated March 1, 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, marketable securities, and early-stage venture capital companies.

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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:

	2021 Q1	2020 Q4	2020 Q3	2020 Q2
	\$	\$	\$	\$
Revenues	42,110	49,617	93,986	71,880
Net income (loss) and comprehensive income (loss)	5,798,996	3,587,274	920,907	(776,977)
Basic and diluted earnings (loss) per share	0.05	0.03	0.01	(0.01)
Weighted average number of shares - basic and diluted	108,557,940	108,557,940	108,557,940	108,557,940

	2020 Q1	2019 Q4	2019 Q3	2019 Q2
	\$	\$	\$	\$
Revenues	91,791	46,777	100,977	70,859
Net income (loss) and comprehensive income (loss)	(495,145)	(3,215,371)	(3,061,407)	(4,953,251)
Basic and diluted earnings (loss) per share	(0.00)	(0.03)	(0.03)	(0.07)
Weighted average number of shares - basic and diluted	108,557,940	108,557,940	108,557,940	75,489,939

OVERALL PERFORMANCE

Three months ended December 31, 2020 ("2021 Q1")

	2021 Q1	2020 Q1	2021Q1-2020Q1
	\$	\$	\$
Revenue			
Management fee income	40,438	83,244	(42,806)
Rental income, net of cost (2020 \$1,083, 2019 \$Nil)	1,672	8,547	(6,875)
Total	42,110	91,791	(49,681)
Expenses			
Consulting fees	4,807	-	4,807
Depreciation	2,763	4,877	(2,114)
Office and miscellaneous	5,366	10,508	(5,142)
Professional fees	23,750	15,478	8,272
Rent	9,000	9,000	-
Transfer agent and regulatory fees	4,055	10,151	(6,096)
Wages and benefits	16,102	9,933	6,169
Total	65,843	59,947	5,896

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Other gain (loss)			
Finance fees and interest income	25,132	25,663	(531)
Interest and accretion expense	(86,607)	(142,251)	55,644
Foreign exchange gain (loss)	(9,508)	(27,379)	17,871
Gain on accounts payable and loans settlement	-	20,950	(20,950)
Loss on modification of convertible debentures	-	51,370	(51,370)
Realized loss on disposition of marketable securities	(34,554)	-	(34,554)
Recovery of loan receivable (i)	4,445,000	-	4,445,000
Write off of receivables	(16,402)	-	(16,402)
Unrealized gain (loss) on marketable securities (ii)	1,421,885	(335,203)	1,757,088
Unrealized gain (loss) on warrants (ii)	77,783	(120,188)	197,971
Other income	-	49	(49)
	5,822,729	(526,989)	6,349,718
Net income (loss)	5,798,996	(495,145)	6,294,141

The Company reported a net income of \$5.8 million compared to a net loss of \$0.50 million in 2020. The significant factors that contributed to the increase of net income in 2021 are as follows:

- 1) In 2018, the Company wrote off a loan receivable and recorded an impairment loss of \$4.5 million. 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.

During the three months ended December 31, 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 after the restriction has been removed by in January 2021. As a result, the Company has recorded a recovery of loan receivable of \$2 million for the fiscal 2020.

Subsequent to the period ended December 31, 2020, the Company received restricted common shares and share purchase warrants of the borrower with the fair value of \$4,445,000 for the full settlement of the remaining balance of \$4,445,000 (US\$3,500,000) of the loan receivable. As a result, a recovery of loan receivable of \$4,445,000 was recorded during the three months ended December 31, 2020. No similar recovery was in the same quarter of fiscal 2020.

- 2) During fiscal 2020, the Company reported an unrealized gain from investments in marketable securities and investments in warrants totalling \$1.5 million compared to \$0.46 million unrealized loss in 2020 for an increase of unrealized gain of \$1.9 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.

The total operating expenses of \$65,843 incurred in the three months ended December 31, 2021 is not significantly different compared to \$59,941 in the same three months period in fiscal 2020.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's principal assets consist of cash, marketable securities, investments in warrants, and loans receivable. As at December 31, 2020, the Company has working capital of \$10,906,109, which is sufficient to finance the Company's operations in the next twelve months.

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

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 measurement	Classification	December 31, 2020	September 30, 2020
			\$	\$
Financial assets:				
Accounts receivable		Amortized cost	35,634	44,627
Loan receivables		Amortized cost	4,786,549	2,338,649
Cash	Level 1	FVTPL	249,318	425,155
Investment warrants	Level 3	FVTPL	483,715	405,932
Marketable securities	Level 1	FVTPL	8,734,662	5,166,258
Financial liabilities:				
Accounts payable and accrued liabilities		Amortized cost	64,562	40,423
Loans and interest payable		Amortized cost	413,307	407,307
Convertible debentures		Amortized cost	2,909,148	2,858,541

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:

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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.

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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.

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 December 31, 2020, a hypothetical change of 10% in foreign exchange rates would have an effect of \$469,000 on net income and comprehensive income for the three months ended December 31, 2020.

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

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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.

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 the three months ended December 31, 2020, the Company had the following transactions with entities related to one director (Sonny Janda or "Mr. Janda") of the Company:

- 1) The Company earned management fee income totalling \$29,975 (2020 - \$38,770) from two companies of which Mr. Janda is a director and/or officers of these two companies.
- 2) The Company was charged an office rent of \$9,000 (2020 - \$9,000) by a landlord for a month-to-month rental arrangement. Mr. Janda is a significant shareholder of this landlord.
- 3) During fiscal 2020, the Company advanced an unsecured loan of \$300,000 to a company at an interest rate of 5% per annum. This loan will mature on August 7, 2021. As at December 31, 2020, the outstanding balance from this borrower was \$341,549 (principal of \$300,000 and accrued interest of \$41,549). Mr. Janda is a significant shareholder of this borrower.

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.

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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

The Company has not adopted new accounting policies since its recent year ended September 30, 2020
