

# **GRAND PEAK CAPITAL CORP.**

## **Management Discussion and Analysis**

**Year ended September 30, 2021**

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30,2021**

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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 consolidated financial statements and related notes for the years ended September 30, 2021 and 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](http://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 January 28, 2022.

### **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. The Company reviews and participates in business opportunities with merits from time to time in order to maximize shareholder's value.

On December 15, 2021, COMSovereign Holding Corp, ("COMS") a US public Company, and the Company entered into a distribution agreement (the "Agreement"), whereby COMS has appointed the Company as the distributor of COMS' inventory of telecom hardware and software (the "Products"). The term of the Agreement is 12 months which is automatically renewable for another twelve months. The Company has a non-exclusive, non-transferable right to distribute, sell, market, and support the Products in Canada and India, to Customers, agents, and regional distributors subject to Company's ability to fulfill its obligations under this Agreement.

On November 2, 2021, the Company declared a special dividend in kind to the shareholders of record at the close of business on November 5, 2021. Each shareholder will receive common shares of the Company's wholly owned subsidiary, Grand Peak USA, Inc., based on each shareholder's ownership of the Company on a pro-rata basis. Dividend payment date was January 19, 2022. The Company intends to list the common shares of Grand Peak USA, Inc. on the OTCQB in the USA.

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**SELECTED ANNUAL INFORMATION**

	2021	2020	2019
	\$	\$	\$
Total Revenue (Loss) (i)	(8,010,317)	1,795,456	(6,520,606)
Gain (loss) on settlement of loan receivable	9,263,526	(12,828)	-
Recovery of loan receivable	2,481,518	2,018,482	-
Net income (loss)	3,113,329	3,236,059	(6,693,884)
Income (loss) per share, basic and diluted	0.03	0.03	(0.06)
Total Assets	10,265,646	9,371,148	6,012,245
Total non-current financial liabilities	947,408	-	2,471,681

*(i) During 2021, the Company was actively investing in marketable securities and income earning instruments. As such, the Company decided to include all the gain (loss) from the investments in the operating earnings instead of under “other items” in the Company’s annual financial statements for the year ended September 30, 2021. As such, the line item “total revenue” has been reclassified in 2019 and 2018 for comparison purpose*

The main component of the Company’s revenue comprised of realized and unrealized gain (loss) of the Company’s investments in marketable securities and income earning instruments. These gain (loss) fluctuates from time to time based on the performance of these investments and is hard to predict.

**SELECTED QUARTERLY FINANCIAL DATA**

The following selected financial data for the past eight business quarters have been summarized from the Company’s unaudited quarterly financial statements.

	2021 Q4	2021 Q3	2021 Q2	2021 Q1
	\$	\$	\$	\$
Revenues (loss) (i)	(5,791,301)	(127,126)	(3,624,246)	1,532,356
Net income (loss) and comprehensive income (loss)	(3,735,974)	(237,456)	1,287,763	5,798,996
Basic and diluted earnings (loss) per share	(0.03)	0.00	0.01	0.05
Weighted average number of shares (basis and diluted)	108,557,940	108,557,940	108,557,940	108,557,940
	2020 Q4	2020 Q3	2020 Q2	2020 Q1
	\$	\$	\$	\$
Revenues (loss) (i)	1,746,886	1,083,885	(697,387)	(337,937)
Net income (loss) and comprehensive income (loss)	3,587,274	920,907	(776,977)	(495,145)
Basic and diluted earnings (loss) per share	0.03	0.01	(0.01)	(0.00)
Weighted average number of shares (basis and diluted)	108,557,940	108,557,940	108,557,940	108,557,940

*(i) During 2021, the Company was actively investing in marketable securities and income earning instruments. As such, the Company decided to include all the gain (loss) from the investments in the operating earnings instead of under “other items” in the Company’s annual financial statements for the year ended September 30, 2021. As such, the line item “total revenue” has been reclassified in 2019 and 2018 for comparison purpose*

The Company’s operations are not subject to seasonality. The main component of the Company’s net income (loss) is comprised of realized and unrealized gain (loss) of the Company’s investments in marketable securities which fluctuates from time to time based on the performance of these investments and is difficult to predict.

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**OVERALL PERFORMANCE**

Year ended September 30, 2021 compared to year ended September 30, 2020

<b>Year ended September 30,</b>	2021	2020
<b>Revenue</b>		
Management fee income	236,683	280,214
Net investment income (ii)	(8,323,808)	1,369,136
Interest income	58,223	119,036
Rental income	18,585	27,060
<b>Total revenue (loss)</b>	<b>(8,010,317)</b>	<b>1,795,446</b>
<b>Expenses</b>		
Bad debt expenses (recovery)	8,996	(7,881)
Consulting fees	27,707	7,850
Depreciation	11,051	11,656
Office and miscellaneous	40,352	39,444
Professional fees	66,510	85,542
Rent	36,000	36,000
Transfer agent and regulatory fees	46,913	22,274
Wages and benefits	59,594	62,894
<b>Total operating expenses</b>	<b>297,123</b>	<b>257,779</b>
<b>Other items</b>		
Interest and accretion expense	(250,420)	(331,903)
Foreign exchange gain (loss)	(158,954)	18,381
Gain on accounts payable and loans settlement	-	26,278
Gain (loss) on settlement of loan receivable (i)	9,263,526	(12,828)
Gain (loss) on modification of convertible debentures	33,229	(44,148)
Recovery of loan receivables (i)	2,481,518	2,018,482
Other income	51,900	-
<b>Total other items</b>	<b>11,420,799</b>	<b>1,674,262</b>
<b>Income before income taxes</b>	<b>3,113,329</b>	<b>3,211,929</b>
Current tax recovery	-	24,130
<b>Net income and comprehensive income</b>	<b>3,113,329</b>	<b>3,236,059</b>

Significant factors that contributed to the increase of net income in 2021 are as follows:

(i) 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.

During the year ended September 30, 2021, the Company received common shares with fair value of \$9,476,351 and share purchase warrants with fair value of \$4,287,175 of the borrower, totalling \$13,763,526, as full repayment of the loan receivable. As a result, the Company recorded a gain on loan receivable settlement of \$9,263,526 and a recovery of loan receivable of \$2,481,538, (2020 -\$2,018,482).

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The gain and interest income discussed above are incidental and non-recurring in nature. There is no guarantee the Company may have similar gain and interest income in the future.

(ii) Net investment income is comprised of realized and unrealized gain (loss) arising from the Company's investment which fluctuates from time to time depends on the performance of the capital market and the investments held by the Company.

(iii) The total operating expenses of \$297,123 recorded in 2021 is \$39,344 higher than 2020. The main factor is an increase of transfer agent and regulatory fees, which was \$24,639 higher in 2021. The Company was applying for listing of its shares on the OTC market in the U.S.A during 2021.

Three months ended September 30, 2021 compared to three months ended September 30, 2020

<b>Three months ended September 30,</b>	2021	2020
<b>Revenue</b>		
Management fee income	74,173	44,020
Net investment income	(4,976,944)	1,684,822
Interest income	(892,526)	12,446
Rental income	3,996	5,598
<b>Total revenue (loss)</b>	<b>(5,791,301)</b>	<b>1,746,886</b>
<b>Expenses</b>		
Bad debt expenses (recovery)	12,049	(7,881)
Consulting fees	2,000	850
Depreciation	2,762	(3,424)
Office and miscellaneous	17,764	14,020
Professional fees	24,060	26,889
Rent	9,120	9,000
Transfer agent and regulatory fees	(999)	1,960
Wages and benefits	15,794	20,616
<b>Total operating expenses</b>	<b>82,550</b>	<b>62,030</b>
<b>Other items</b>		
Interest and accretion expense	73,467	(119,048)
Foreign exchange gain (loss)	(150,812)	(47,402)
Gain on accounts payable and loans settlement	-	5,328
Gain (loss) on settlement of loan receivable	2,130,123	(12,828)
Gain (loss) on modification of convertible debentures	33,229	58,184
Recovery of loan receivables	-	2,018,482
Other income	51,900	(24,428)
<b>Total other items</b>	<b>2,137,907</b>	<b>1,878,288</b>
<b>Income before income taxes</b>	<b>(3,735,974)</b>	<b>3,563,144</b>
Current tax recovery	-	24,130
<b>Net income and comprehensive income</b>	<b>(3,735,974)</b>	<b>3,587,274</b>

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The main factors for the changes in income and expenses during these three-month periods are changes of investment income and gain from loan receivable which have been discussed in the above.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal assets consist of cash, marketable securities, investments in warrants, and loans receivable. As at September 30, 2021, the Company has working capital of \$8.8 million.

During the year ended September 30, 2021, the Company used \$581,570 in its investing activities (acquisition and disposition of marketable securities and income earning instruments), received \$502,509 from its financing activities (issuance of promissory note), and \$51,135 in operating activities.

The Company does not have external restrictions on its capital resources.

**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	September 30, 2021	September 30, 2020
			\$	\$
<b>Financial assets:</b>				
Accounts receivable		Amortized cost	10,898	44,627
Loan receivables		Amortized cost	1,053,628	2,338,649
Cash		Amortized cost	397,229	425,155
Investment in warrants and options	Level 2	FVTPL	2,020,530	405,932
Marketable securities	Level 1 and 2	FVTPL	5,451,659	5,166,258
<b>Financial liabilities:</b>				
Accounts payable and accrued liabilities		Amortized cost	110,032	40,423
Loans and interest payable		Amortized cost	947,408	407,307
Convertible debentures		Amortized cost	-	2,858,541

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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 are follows:

**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 and warrants held as FVTPL investment. For the year ended September 30, 2021, a 10% change in the closing price of its marketable securities would result in a change in earnings of \$545,000.

**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, marketable securities and loans receivables denominated in United States dollars. At September 30, 2021, a hypothetical change of 10% in foreign exchange rates would have an effect of \$268,000 (2020-\$18,163) 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. The Company mitigates its credit risk by only providing loans to counterparties whereby the Company has detailed knowledge about their business operations and strategy. Cash is

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deposited in bank accounts held with a major bank in Canada. A significant amount 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.

**Concentration risk**

Concentration risk is the risk that any investment or group of investments will have the potential to materially affect the operating results of the Company. As at September 30, 2021, the Company's top five equity investments, all in the mining and technology sector, had a fair value of \$5,913,390. This represents 58% of the fair value of the Company's total assets.

**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.

1) As at September 30, 2020, the Company had an outstanding balance from a borrower of \$337,799. This loan has an interest rate 5% per annum and would be mature on August 7, 2021. One director of the Company is a significant shareholder of this borrower. During the year ended September 30, 2021, the borrower fully repaid this loan by delivering two parcels of vacant land to settle the principal of \$300,000 and accrued interest of \$52,183. The acquired land is recorded at its fair value on the date of settlement.

2) The Company earned management fee income totalling \$130,183 (2020 - \$203,144) from two companies of which one director of the Company is also a director and/or officers of these two companies.

3) The Company was charged an office rent of \$36,000 (2020 - \$36,000) by a landlord for a month-to-month rental arrangement. One director of the Company 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.

4) During 2021, the Company bought two parcels (2020 - four parcels) of vacant land with consideration totalling \$333,676 (2020 - \$578,487) for investment purpose from a Company of which a significant shareholder is also a director of the Company.

**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



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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.

**SIGNIFICANT ACCOUNTING POLICIES**

The Company has not adopted new accounting policies since its recent year ended September 30, 2021.