

# **GRAND PEAK CAPITAL CORP.**

## **Management Discussion and Analysis**

**Nine months ended June 30, 2022**

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Nine months ended June 30,2022**

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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 condensed consolidated interim financial statements and related notes for the nine months ended June 30, 2022, and the audited financial statements for the recent year ended September 30, 2021. 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 August 29, 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, the Company and COMSovereign Holding Corp, (“COMS”) a US public Company, entered into a distribution agreement (the “Distribution 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 12 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.

During the six months ended June 30, 2022, the Company made an initial purchase of Products (“Initial Purchase”) whereby products initially purchased, if not sold by the Company within the first six months, may be returned for credit without penalty or refund if business is insufficient to off set. Given the consignment nature of the Distribution

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Nine Months Ended June 30, 2022**

---

Agreement, the Company has not recorded inventory and accounts payable in connection with the Initial Purchase as at and during the nine months ended June 30, 2022.

On April 27, 2022, after all best efforts, the Company and COMS entered into an agreement to terminate this Distribution Agreement with the following terms:

- All the unsold Initial Purchase returned to COMS without penalty or fees
- The proceeds from the sale of the Initial Purchase was \$154,123. All the sales proceeds have been returned to COMS in April and May, 2022.
- The Company assigned all the receivables from the partial sale of the Initial Purchase to COMS. Consequently, the Company has not recognized sales revenue and accounts receivable during and as at the nine months ended June 30, 2022 from the sales of the Initial Purchase.

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. The Company intends to list the common shares of Grand Peak USA, Inc. (“GPK USA Shares”) on the OTCQB in the USA and the dividend (GPK USA Shares) will be delivered to shareholders upon the approval of the listing of the GPK USA shares.

**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.

|   | 2022 Q3     | 2022 Q2     | 2022 Q1     | 2021 Q4     |
|---|-------------|-------------|-------------|-------------|
|   | \$          | \$          | \$          | \$          |
| Revenues (loss) (i)                                   | (1,566,634) | (478,651)   | (2,010,855) | (5,791,301) |
| Net loss and comprehensive loss                       | (1,625,669) | (548,035)   | (2,134,620) | (3,735,974) |
| Basic and diluted loss per share                      | (0.01)      | (0.01)      | (0.02)      | (0.03)      |
| Weighted average number of shares (basis and diluted) | 108,557,940 | 108,557,940 | 108,557,940 | 108,557,940 |

  

|   | 2021 Q3     | 2021 Q2     | 2021 Q1     | 2020 Q4     |
|---|-------------|-------------|-------------|-------------|
|   | \$          | \$          | \$          | \$          |
| Revenues (loss) (i)                                   | (127,126)   | (3,624,246) | 1,532,356   | 1,746,886   |
| Net income and comprehensive income                   | (237,456)   | 1,287,763   | 5,798,996   | 3,587,274   |
| Basic and diluted earnings (loss) per share           | (0.00)      | 0.01        | 0.05        | 0.03        |
| 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 2020 for comparison purpose*

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Nine Months Ended June 30, 2022**

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.

**OVERALL PERFORMANCE**

Nine months ended June 30, 2022, compared to the same period of 2021

| <b>Nine months ended June 30,</b>         | <b>2022</b>        | <b>2021</b>        |
|---|--------------------|--------------------|
| <b>Revenue</b>                            |                    |                    |
| Management fee income                     | 189,761            | 162,510            |
| Net investment loss (ii)                  | (4,278,034)        | (3,346,864)        |
| Interest income                           | 16,334             | 950,749            |
| Rental income                             | 15,799             | 14,589             |
| <b>Total loss</b>                         | <b>(4,056,140)</b> | <b>(2,219,016)</b> |
| <b>Expenses</b>                           |                    |                    |
| Consulting fees                           | 52,100             | 25,707             |
| Depreciation                              | 8,289              | 8,289              |
| Office and miscellaneous                  | 43,593             | 22,588             |
| Professional fees                         | 37,112             | 42,450             |
| Rent                                      | 27,000             | 26,880             |
| Transfer agent and regulatory fees        | 22,405             | 47,912             |
| Wages and benefits                        | 45,156             | 43,800             |
| <b>Total operating expenses</b>           | <b>235,655</b>     | <b>217,626</b>     |
| <b>Other items</b>                        |                    |                    |
| Interest and accretion expense            | (14,619)           | (323,887)          |
| Foreign exchange gain (loss)              | (1,929)            | (8,142)            |
| Gain on settlement of loan receivable (i) | -                  | 2,481,518          |
| Others                                    | 6,537              | -                  |
| Recovery of receivable                    | -                  | 3,053              |
| Recovery of loan receivables (i)          | -                  | 7,133,403          |
| <b>Total gain (loss)</b>                  | <b>(10,011)</b>    | <b>9,285,945</b>   |
| <b>Net income (loss)</b>                  | <b>(4,301,806)</b> | <b>6,849,303</b>   |

The Company had a loss of \$4.3 million during six months ended June 30, 2022 which is an increase of loss of \$11.15 million compared to the same period in 2021. Significant factors that contributed to the increase 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. As a result, the Company recorded a gain from loan recovery of \$2.5 million during the nine

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Nine Months Ended June 30, 2022**

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months ended June 30, 2021. The Company also received common shares and share purchase warrants of the borrower to settle the above loan receivable. The borrower's common shares had a sharp price increase with they were delivered to the Company. As a result, the Company recorded \$8 million gain from settlement.

These gains were incidental and non-recurring in nature. There was no similar transaction during the nine months ended June 30, 2022. This fluctuation accounted for an increase of loss of \$ 10.5 million.

(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. During the six months ended June 30, 2022, the Company incurred net investment loss of \$4.3 million compared to an investment loss of \$3.3 million incurred in the comparable period in 2021. This fluctuation accounted for a decrease of loss of \$1.0 million that partially offset the increase of loss arising from loan settlement and loan recovery.

Three months ended June 30, 2022, compared to the same period of 2021

| <b>Three months ended June 30,</b>     | <b>2022</b>        | <b>2021</b>      |
|--|--------------------|------------------|
| <b>Revenue</b>                         |                    |                  |
| Management fee income                  | 54,544             | 47,208           |
| Net investment loss (i)                | (1,628,573)        | (193,681)        |
| Interest income                        | 633                | 16,325           |
| Rental income                          | 6,762              | 3,022            |
| <b>Total loss</b>                      | <b>(1,566,634)</b> | <b>(127,126)</b> |
| <b>Expenses</b>                        |                    |                  |
| Consulting fees                        | 14,700             | 1,700            |
| Depreciation                           | 2,763              | 2,763            |
| Office and miscellaneous               | 5,355              | 2,835            |
| Professional fees                      | 5,000              | 15,450           |
| Rent                                   | 9,000              | 8,880            |
| Transfer agent and regulatory fees     | 4,954              | 10,133           |
| Wages and benefits                     | 14,453             | 14,002           |
| <b>Total operating expenses</b>        | <b>56,225</b>      | <b>55,763</b>    |
| <b>Other items</b>                     |                    |                  |
| Interest and accretion expense         | -                  | (54,567)         |
| Foreign exchange loss                  | (2,810)            | -                |
| <b>Total loss</b>                      | <b>(2,810)</b>     | <b>(54,567)</b>  |
| <b>Net loss and comprehensive loss</b> | <b>(1,625,669)</b> | <b>(237,456)</b> |

(i) 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.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal assets consist of cash, marketable securities, investments in warrants, and loans receivable. As at June 30, 2022, the Company has working capital of \$3.58 million that is adequate to finance the Company's operations for the next 12 months.

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Nine Months Ended June 30, 2022**

---

During the nine-month period ended June 30, 2022, the Company received \$1 million from its investing activities (mainly from the receipt of loan receivable of \$1 million), used cash of \$0.96 million on its financing activities (mainly to repay a loan payable of the similar amount).

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.

**SIGNIFICANT ACCOUNTING POLICIES**

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

**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 | June 30, 2022 | September 30, 2021 |
|--|------------------------|----------------|---------------|--------------------|
|  |                        |                | \$            | \$                 |
| <b>Financial assets:</b>                 |                        |                |               |                    |
| Accounts receivable                      |                        | Amortized cost | 3,000         | 10,898             |
| Loan receivables                         |                        | Amortized cost | 38,606        | 1,053,628          |
| Cash                                     |                        | Amortized cost | 200,095       | 397,229            |
| Investment in warrants and options       | Level 2                | FVTPL          | 477,461       | 2,020,530          |
| Marketable securities                    | Level 1 and 2          | FVTPL          | 2,908,851     | 5,451,659          |
| <b>Financial liabilities:</b>            |                        |                |               |                    |
| Accounts payable and accrued liabilities |                        | Amortized cost | 45,026        | 110,032            |
| Loans and interest payable               |                        | Amortized cost | -             | 947,408            |

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:

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Nine Months Ended June 30, 2022**

---

**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 marketplaces. 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 Properties*

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

**Price Risk**

The Company is exposed to price risk in relation to listed marketable securities and warrants held as FVTPL investment. For the period ended June 30, 2022, a 10% change in the closing price of its marketable securities would result in a change in earnings of \$291,000.

**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. On June 30, 2022, a hypothetical change of 10% in foreign exchange rates would have an effect of \$2,200 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

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.

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Nine Months Ended June 30, 2022**

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**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 June 30, 2022, the Company's top five equity investments, all in the mining and technology sector, had a fair value of \$2,275,000. This represents 45.95 % of the Company’s total assets.

**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. Details are as follows:

| Nine months ended June 30,          |                         | 2022      | 2021      |
|-------------------------------------|-------------------------|-----------|-----------|
| Two companies related to a director | Management fees income  | \$ 99,936 | \$ 95,037 |
| CFO                                 | Consulting fees expense | 19,200    | -         |
| A company related to a director     | Office rent expense     | \$ 27,000 | \$26,880  |

As at June 30, 2022, the Company has an amount of \$25,200 owing to related parties (2021/9/30 - \$49,582) that was included in the Company’s accounts payable and accrued liabilities.

**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.