

# **GRAND PEAK CAPITAL CORP.**

## **Management Discussion and Analysis**

**Year ended September 30, 2022**

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2022**

---

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 year ended September 30, 2022. 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 April 22, 2023

## **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 period 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.

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 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 received from the sale of the Initial Purchase was \$183,049, net of fees charged by the Company of \$7,058, are returned to COMS. As at September 30, 2022, there was an amount of \$9,239 owing to COMS in connection with these transactions included in the Company's accounts payable and accrued liabilities.
- The Company assigned all the receivables \$259,895 from the partial sale of the Initial Purchase to COMS.

Given the consignment nature of the Distribution Agreement, the Company recorded the fees charged to COMS of \$7,058 as other income.

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. ("GPK USA"), based on each shareholder's ownership of the Company on a pro-rata basis. The Company intends to list the common shares of GPK USA. on the OTCQB in the USA.

In accordance with IFRIC17 – Distribution of Non-cash Assets to Owners, the fair value of the dividend payable, which is the net asset value of GPK USA, on November 2, 2021 (declaration date) and September 30, 2022 (year end date), was \$990,428 and \$1,557,245 respectively. Details are as follow:

	November 2, 2021	September 30, 2022
	\$	\$
Cash	2,054	16,234
Promissory note receivable	1,022,783	-
Accounts payable	-	9,064
Investment properties (i)	2,149,134	2,820,359
less:		
Accounts payable and accrued liabilities	-	(12,802)
Amount owing to Grand Peak Capital Corp.	(2,183,543)	(1,275,610)
Net asset to be distributed	990,428	1,557,245

*(i) The Company has adopted the direct comparison approach to estimate the fair values of the investment properties based on what other purchasers and sellers in the market have agreed for comparable properties on respective dates.*

The distribution of these dividend in kind (common shares of GPK USA) pending the successful listing of common shares of Grand Peak USA on the OTCQB.

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year ended September 30, 2022

**SELECTED ANNUAL INFORMATION**

	2022	2021	2020
	\$	\$	\$
Total Revenue (Loss)	(4,494,800)	(8,010,317)	1,795,456
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)	(5,158,037)	3,113,329	3,236,059
Income (loss) per share, basic and diluted	(0.05)	0.03	0.03
Total Assets	4,190,242	10,265,646	9,371,148
Total non-current financial liabilities	-	947,408	-

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 difficult 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.

	2022 Q4	2022 Q3	2022 Q2	2022 Q1
	\$	\$	\$	\$
Revenues (loss)	(438,660)	(1,566,634)	(478,651)	(2,010,855)
Net income (loss)	(856,231)	(1,625,669)	(541,517)	(2,134,620)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of shares (basis and diluted)	108,557,940	108,557,940	108,557,940	108,557,940

  

	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)	(3,735,974)	(237,456)	1,287,763	5,798,996
Basic and diluted earnings 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

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.

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year ended September 30, 2022

**OVERALL PERFORMANCE**

<b>Year ended September 30,</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Management fee income	361,293	236,683
Net investment loss (ii)	(4,901,210)	(8,323,808)
Interest income	16,517	58,223
Rental income, net of cost	28,600	18,585
<b>Total loss</b>	<b>(4,494,800)</b>	<b>(8,010,317)</b>
<b>Expenses</b>		
Bad debt expenses	-	8,996
Consulting fees	50,800	27,707
Depreciation	11,051	11,051
Office and miscellaneous	107,742	40,352
Professional fees	96,950	66,510
Rent	36,238	36,000
Transfer agent and regulatory fees	27,099	46,913
Wages and benefits	56,103	59,594
<b>Total operating expenses</b>	<b>385,983</b>	<b>297,123</b>
<b>Other items</b>		
Interest and accretion expense	(13,553)	(250,420)
Impairment – write off	(261,122)	-
Foreign exchange gain (loss)	(7,978)	(158,984)
Gain (loss) on settlement of loan receivable (i)	-	9,263,526
Gain (loss) on modification of convertible debentures	-	33,229
Recovery of loan receivables (i)	-	2,481,518
Other income	7,058	51,900
<b>Total other items</b>	<b>(275,595)</b>	<b>1,674,262</b>
<b>Income before income taxes</b>	<b>(5,156,378)</b>	<b>3,113,329</b>
Income tax (expense) recovery	(1,659)	-
<b>Net income and comprehensive income (i)</b>	<b>(5,158,037)</b>	<b>3,113,329</b>

During fiscal 2022, the Company had a loss of \$5.16 million which is an increase of loss of \$8.27 million compared to 2021. Significant factors that contributed to the increase are as follows:

(i) 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 a borrower, totalling \$13,763,526, as full repayment of the loan receivable due from this borrower. The outstanding amount of this un-secured loan receivable (with an interest rate of 10%) on September 30, 2022 was \$Nil (September 30, 2021 - \$2,018,482). As a result, the Company recorded a gain on loan receivable settlement of \$9,263,526 and a recovery of loan receivable of \$2,481,518 (2020 -\$2,018,482) for the year ended September 30, 2021. These gains were incidental and non-recurring in nature. There was no similar transaction during 2022. As a result, loss in 2022 increased significantly.

(ii) Net investment income is comprised of realized and unrealized gain (loss) arising from the Company's investment in marketable securities, stock options, and share purchase warrants, which fluctuates from time to time depends on the performance of the capital market and the investments held by the Company. During 2022 the Company incurred

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year ended September 30, 2022

net investment loss of \$4.9 million compared to an investment loss of \$8.3 million in 2021. This decrease in investment loss partially offset the increase in loss discussed in the above.

<b>Three months ended September 30,</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Management fee income	171,532	74,173
Net investment loss	(623,176)	(4,976,944)
Interest income	183	(892,526)
Rental income, net of cost	12,801	3,996
<b>Total loss</b>	<b>(438,660)</b>	<b>(5,791,301)</b>
<b>Expenses</b>		
Bad debt expenses	-	8,996
Consulting fees	(1,300)	2,000
Depreciation	2,762	2,762
Office and miscellaneous	64,149	17,764
Professional fees	59,838	24,060
Rent	9,238	9,120
Transfer agent and regulatory fees	4,694	(999)
Wages and benefits	10,947	15,794
<b>Total operating expenses</b>	<b>150,328</b>	<b>79,497</b>
<b>Other items</b>		
Interest and accretion expense	(13,553)	(250,420)
Impairment – write off	(246,503)	323,887
Foreign exchange gain (loss)	(6,049)	(150,842)
Gain (loss) on settlement of loan receivable	-	6,782,008
Gain (loss) on modification of convertible debentures	(6,537)	33,229
Recovery of loan receivables	-	(4,651,885)
Other income	7,058	48,847
<b>Total other items</b>	<b>(265,584)</b>	<b>2,134,824</b>
<b>Income before income taxes</b>	<b>(854,572)</b>	<b>(3,735,974)</b>
Income tax (expense) recovery	(1,659)	-
<b>Net income and comprehensive income</b>	<b>(856,231)</b>	<b>(3,735,974)</b>

During the fourth quarter of 2022, the Company had a loss of \$0.86 million which is a decrease of loss of 2.88 million compared to the same quarter of 2021. Significant factors that contributed to the increase are as same as those discussed in the above for year to year comparison (ie: the record of gain (loss) from loan receivable settlement and recovery).

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal assets consist of cash, marketable securities and investments in warrants. As at September 30, 2022, the Company has working capital of \$1.44 million that is adequate to finance the Company's operations for the next 12 months.

During fiscal 2022, the Company received \$0.85 million from its investing activities (mainly from the receipt of loan receivable of \$1.1 million), used cash of \$0.96 million on its financing activities (mainly to repay a loan payable of the similar amount).

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2022**

---

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**

Please refer to Note 2 of the Company's audited financial statements for the year ended September 30, 2022.

**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, 2022	September 30, 2021
			\$	\$
Financial assets:				
Accounts receivable		Amortized cost	80,177	10,898
Loan receivables		Amortized cost	-	1,053,628
Cash		Amortized cost	270,737	397,229
Investment in warrants and options	Level 2	FVTPL	381,239	2,020,530
Investment in common shares of public	Level 1	FVTPL	2,368,189	5,351,659
Investments in common shares of private	Level 3	FVTPL	40,000	100,000
Financial liabilities:				
Accounts payable and accrued liabilities		Amortized cost	140,073	110,032
Loans and interest payable		Amortized cost	-	947,408
Dividend payable	Level 3	FVTPL	1,557,245	-

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**  
**Year ended September 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 year ended September 30, 2022, a 10% change in the closing price of its marketable securities would result in a change in earnings of \$240,818.

**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 September 30, 2022, a hypothetical change of 10% in foreign exchange rates would have an effect of \$9,300 (2021-\$268,200) 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**  
**Year ended September 30, 2022**

---

**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, 2022, the Company's top five equity investments, all in the mining sector, had a fair value of \$1,938,650. This represents 46% of the fair value 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 September 30, 2022 and 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:

The Company had the following transactions with related parties:

2022

- 1) During the year ended September 30, 2022, the Company earned management fees totalling \$239,112 (2021 - \$130,183) from two companies of which one director of the Company is a director and/or officers of these two companies.
- 2) The Company paid office rent of \$36,238 (2021 - \$36,000) to an entity for a month-to-month rental arrangement. One director of the Company is a significant shareholder of the entity. As at September 30, 2022, the balance owing was \$28,885 (2021 - \$49,582).
- 3) The Company paid consulting fees of \$25,600 (2021 - \$nil) to an entity. The CFO of the Company is the owner of the entity. As at September 30, 2022, the balance owing was \$2,000 (2021 - \$nil).
- 4) The Company, through a private placement, acquired 1,333,334 security units (one common share and one share purchase warrant) of a public company for gross proceeds of \$200,000. The CEO of this public company is a director of the Company.

2021

- 1) During the year ended September 30, 2021, the Company acquired two parcels of vacant land (Note 6) from a company of which a significant shareholder is a director of the Company. The land parcels were the payment settling the loan receivable with the principal of \$300,000.

**GRAND PEAK CAPITAL CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Year ended September 30, 2022**

---

**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.