

**Peak Positioning Technologies Inc.**  
**Condensed Interim Consolidated Financial**  
**Statements (Unaudited)**  
**For the three and the nine-month periods ended**  
**September 30, 2019 and 2018**

Financial Statements

Consolidated Statements of Comprehensive Loss	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Financial Position	5
Notes to Interim Consolidated Financial Statements	6 - 29

Note to reader: The Interim Consolidated Financial Statements have not been reviewed by the auditor

**Peak Positioning Technologies Inc.**  
**Interim Consolidated Statements of Comprehensive Loss**

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars, except weighted average number of outstanding shares)

(Unaudited)

	Note	Three-month period ended		Nine-month period ended	
		September 30		September 30	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Revenues</b>					
Sales		4,499,953	709,739	7,351,186	939,496
<b>Expenses</b>					
Salaries and fringe benefits		401,598	220,620	1,233,238	667,139
Board remuneration		19,179	35,521	53,562	102,227
Service fees		32,132	144,049	443,967	144,049
Royalty on software		30,427	-	30,427	-
Consulting fees		33,427	132,501	287,296	336,172
Management fees		29,878	55,526	105,266	165,536
Professional fees		132,386	50,507	217,492	189,233
Outsourcing services		2,619,916	-	2,619,916	-
Administrative and indirect cost		47,269	89,623	195,210	89,623
Public relations and press releases		44,689	85,234	111,601	339,358
Office supplies, website and utilities		52,035	36,276	150,054	74,648
Lease expenses		8,447	13,693	33,390	30,717
Depreciation of right-of-use assets	8	115,522	-	289,027	-
Interface development cost		-	(657)	-	16,896
Insurance		6,279	7,354	21,557	17,235
Finance costs	14	267,283	188,428	755,251	606,074
Expected credit loss		176,103	-	213,146	-
Travel and entertainment		70,717	68,169	274,778	173,052
Stock exchange and transfer agent costs		12,138	14,410	38,384	53,795
Translation cost and others		3,734	10,991	30,744	28,068
Depreciation of property and equipment	8	10,382	2,182	29,918	3,085
Provision for loss on deposit		43,583	-	43,583	-
Impairment of intangible asset	9	584,189	-	584,189	-
Amortization of intangible assets	9	230,675	132,494	621,596	398,339
Amortization of financing initial costs		9,090	8,223	27,299	29,157
Loss (gain) on foreign exchange		17,289	(18,525)	37,333	2,579
		<u>4,998,367</u>	<u>1,276,619</u>	<u>8,448,224</u>	<u>3,466,980</u>
Profit (Loss) before income taxes		(498,414)	(566,880)	(1,097,038)	(2,527,484)
Income tax		278,902	58,818	545,044	125,876
Net loss		<u>(777,316)</u>	<u>(625,698)</u>	<u>(1,642,082)</u>	<u>(2,653,359)</u>
Net (loss) profit attributable to:					
Non-controlling interest		165,756	144,324	488,772	219,055
Owners of the parent		<u>(943,072)</u>	<u>(770,022)</u>	<u>(2,130,854)</u>	<u>(2,872,414)</u>
		<u>(777,316)</u>	<u>(625,698)</u>	<u>(1,642,082)</u>	<u>(2,653,359)</u>
<b>Item that will be reclassified subsequently to profit or loss</b>					
Currency translation adjustment		1,027,084	603,256	1,471,694	694,051
<b>Total comprehensive loss</b>		<u>(1,804,400)</u>	<u>(1,228,954)</u>	<u>(3,113,776)</u>	<u>(3,347,410)</u>
<b>Net loss and total comprehensive loss attributable to:</b>					
Non-controlling interest		(315,578)	138,464	(414,461)	208,232
Owners of the parent		<u>(1,488,822)</u>	<u>(1,367,418)</u>	<u>(2,699,315)</u>	<u>(3,555,642)</u>
		<u>(1,804,400)</u>	<u>(1,228,954)</u>	<u>(3,113,776)</u>	<u>(3,347,410)</u>
Weighted average number of outstanding shares		<u>689,964,960</u>	<u>671,467,354</u>	<u>680,946,164</u>	<u>658,826,087</u>
Basic and diluted loss per share		<u>(0.001)</u>	<u>(0.001)</u>	<u>(0.002)</u>	<u>(0.004)</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

**Peak Positioning Technologies Inc.**  
**Interim Consolidated Statements of Changes in Equity**

For the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

	Capital stock		Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Deficit	Total attributable to owners of parent	Non Controlling interest	Shareholders' equity (deficiency)
	Number of common shares	Amount							
		\$	\$	\$		\$			\$
Balance as of January 1, 2019	675,142,135	22,759,673	7,747,316	93,940	(189,449)	(20,914,779)	9,496,701	9,989,774	19,486,475
Issuance of shares	28,400,000	758,033	117,391				875,424		875,424
Equity component of convertible debenture				31,707			31,707		31,707
Conversion of convertible debenture	10,000,000	355,579		(57,939)			297,640		297,640
Share-based compensation			268,463				268,463		268,463
Transactions with owners	713,542,135	23,873,285	8,133,170	67,708	(189,449)	(20,914,779)	10,969,935	9,989,774	20,959,709
Net loss						(2,130,855)	(2,130,855)	488,772	(1,642,082)
Other comprehensive loss					(568,461)		(568,461)	(903,233)	(1,471,694)
Total comprehensive loss for the year					(568,461)	(2,130,855)	(2,699,316)	(414,461)	(3,113,776)
<b>Balance as of September 30, 2019</b>	<b>713,542,135</b>	<b>23,873,285</b>	<b>8,133,170</b>	<b>67,708</b>	<b>(757,910)</b>	<b>(23,045,634)</b>	<b>8,270,619</b>	<b>9,575,313</b>	<b>17,845,932</b>
Balance as of January 1, 2018	629,659,055	20,550,873	7,477,763		220,481	(17,062,100)	11,187,017		11,187,017
Reclassification other comprehensive income					(129,906)	129,906			-
Issuance of shares	7,383,080	471,654	65,658				537,312		537,312
Exercise of warrants	36,000,000	1,822,804	(412,448)				1,410,356		1,410,356
Issuance costs	2,100,000	(85,658)					(85,658)		(85,658)
Non-controlling interest								9,746,100	9,746,100
Share-based compensation			435,602				435,602		435,602
Transactions with owners	675,142,135	22,759,673	7,566,575		90,575	(16,932,194)	13,484,629	9,746,100	23,230,729
Net loss						(2,872,414)	(2,872,414)	219,055	(2,653,359)
Other comprehensive loss					(694,051)		(694,051)	(525,322)	(1,219,373)
Total comprehensive loss for the year					(694,051)	(2,872,414)	(3,566,465)	(306,267)	(3,872,731)
<b>Balance as of September 30, 2018</b>	<b>675,142,135</b>	<b>22,759,673</b>	<b>7,566,575</b>		<b>(603,475)</b>	<b>(19,804,608)</b>	<b>9,918,164</b>	<b>9,439,833</b>	<b>19,357,997</b>

The accompanying notes are an integral part of these interim consolidated financial statements.

**Peak Positioning Technologies Inc.**  
**Interim Consolidated Statements of Cash Flows**

For the three and nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

	Note	Three-month period ended		Nine-month period	
		September 30		September 30	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net loss		(777,316)	(625,698)	(1,642,082)	(2,653,359)
Non-cash items					
Depreciation of property and equipment		10,382	2,182	29,918	3,085
Depreciation of right-of-use assets		289,027	–	289,027	–
Issuance of shares for settlement of debt		85,000	–	210,000	–
Expected credit loss		176,103	–	213,146	–
Amortization of intangible assets		230,676	132,494	621,596	398,339
Impairment of intangible assets	9	584,189	–	584,189	–
Share-based compensation		105,343	156,281	268,463	435,602
Accretion of convertible debentures		154,836	116,311	433,328	372,948
Loans receivables maturing in more than 12 months		851,459	(1,158,911)	944,047	(11,156,092)
Interest charges		105,667	80,333	304,947	273,092
Interest paid		(105,667)	(80,333)	(303,633)	(253,278)
Net changes in working capital items					
Tax liabilities		276,122	–	493,499	–
Account receivables		(2,464,875)	63,847	(3,332,818)	176,636
Loans receivables maturing in less than 12 months		(96,224)	1,367,177	(2,284,819)	(8,859,988)
Advance from a shareholder		–	(4,104,791)	–	–
Lease liabilities		(234,614)	–	372,708	–
Prepaid expenses		(140,930)	135,691	(105,944)	(70,888)
Accounts payable, advances and accrued liabilities		2,429,963	641,028	3,723,719	681,191
Cash flows from operating activities		1,479,141	(3,274,389)	819,291	(20,652,712)
<b>INVESTING ACTIVITIES</b>					
Term deposit		–	–	–	1,200,000
Intangible asset		447,018	–	(1,773,342)	–
Property and equipment		(9,275)	(352,521)	(27,513)	(366,134)
Right-of-use-asset		(863,430)	–	(863,430)	–
Debtors		(76,038)	12,499	(11,248)	(235,599)
Cash flows from investing activities		(501,725)	(340,022)	(2,675,533)	598,267
<b>FINANCING ACTIVITIES</b>					
Issuance of debenture		–	–	280,000	–
Subscription receivable		–	–	–	6,000,000
Debenture subscription received		–	–	250,000	3,000,000
Repayment of lease liabilities		147,117	–	147,117	–
Contingent compensation		–	–	1,430,000	–
Non-controlling interest		(315,578)	(376,036)	(414,461)	9,439,832
Issuance of shares		640,000	–	640,000	230,000
Cash flows from financing activities		471,539	(376,036)	2,332,656	18,669,831
<b>IMPACT OF FOREIGN EXCHANGE</b>		(289,607)	(659)	(1,057,232)	(38,160)
<b>Net increase(decrease) in cash</b>		1,159,348	(3,991,106)	(580,818)	(1,422,774)
Cash, beginning of period		276,244	5,040,016	2,016,410	2,471,683
Cash, end of period		1,435,592	1,048,910	1,435,592	1,048,910

The accompanying notes are an integral part of these interim consolidated financial statements.

## Peak Positioning Technologies Inc.

### Consolidated Statements of Financial Position

September 30, 2019 and December 31, 2018

(In Canadian dollars)

(Unaudited)

	Note	2019-09-30	2018-12-31
		\$	\$
<b>ASSETS</b>			
Current			
Cash		1,435,592	2,016,410
Loans receivables	6	11,689,383	9,617,710
Debtors	7	3,907,393	864,434
Prepaid expenses		489,580	383,635
Deferred financing cost		<u>353,377</u>	<u>353,377</u>
		17,875,325	13,235,566
Loans receivables	6	8,818,025	9,762,072
Property and equipment	8	684,793	112,796
Intangible assets	9	<u>2,146,427</u>	<u>1,578,869</u>
		<u>29,524,569</u>	<u>24,689,303</u>
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	10	6,146,761	1,460,992
Debentures	11	3,730,704	3,343,820
Contingent compensation payable	5	<u>1,430,000</u>	—
		11,307,465	4,804,812
Debentures	11	<u>371,171</u>	<u>398,015</u>
		<u>11,678,636</u>	<u>5,202,827</u>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Capital stock		23,873,285	22,759,673
Contributed surplus		8,133,170	7,747,316
Equity component of convertible debentures	11	67,708	93,940
Accumulated other comprehensive income		(757,910)	(189,449)
Deficit		<u>(23,045,634)</u>	<u>(20,914,779)</u>
Shareholders' equity attributable to owners of the parent		8,270,619	9,496,701
Non-controlling interest		<u>9,575,313</u>	<u>9,989,774</u>
Total shareholders' equity		<u>17,845,932</u>	<u>19,486,475</u>
		<u>29,524,569</u>	<u>24,689,303</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

On behalf of the Board,

/S/ Johnson Joseph  
Director

/S/ Laval Bolduc  
Director

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GENERAL INFORMATION

Peak Positioning Technologies Inc. (hereinafter the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on May 13, 2008, and continued under the Canada Business Corporations Act on April 4, 2011. Peak Positioning Technologies Inc.'s executive offices are located at 550 Sherbrooke Street West, Suite 265, Montréal, Quebec, Canada. Its shares are traded on the Canadian Stock Exchange (CSE) under the symbol "PKK". Its shares are quoted in the U.S. on the OTC Market's Groups "Pink Sheet": PKKFF.

Peak is an IT portfolio management company whose mission is to assemble, finance and manage a portfolio of promising companies and assets in some of the fastest growing tech sectors in China, including fintech, e-commerce and cloud-computing. Peak provides a bridge for North American Investors who wish to participate in the continued digitization of China's industrial sectors through the latest advancements in technology.

The unaudited interim consolidated financial statements include the accounts of Peak Positioning Technologies Inc. and all of its subsidiaries.

The Company attributes total comprehensive income or loss of the subsidiary between the owners of the parent company and the non-controlling interests based on their respective ownership interests.

The following entities have been consolidated within these consolidated financial statements:

<b>Entities</b>	<b>Registered</b>	<b>% of ownership and voting right</b>	<b>Principal activity</b>	<b>Functional Currency</b>
Peak Positioning Technologies Inc.	Canada		Holding and parent company	Canadian dollar
Asia Synergy Limited	Hong Kong	100%	Holding	Renminbi
Asia Synergy Holdings	China	100%	Holding	Renminbi
Asia Synergy Technologies Ltd.	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Data Solutions Ltd.	China	100%	Fintech	Renminbi
Asia Synergy Credit Solutions Ltd	China	100%	Credit outsourcing services	Renminbi
Asia Synergy Supply Chain Ltd (1)	China	51%	Supply Chain services	Renminbi
Wuxi Aorong Ltd.	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd	China	51%	Financial institution	Renminbi

## **Peak Positioning Technologies Inc.**

### **Notes to Interim Consolidated Financial Statements**

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

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#### *Note 1: Creation of a new subsidiary*

In June 2019, the Company created a new subsidiary called Asia Synergy Supply Chain ("ASSC") whereby the wholly owned subsidiary of the Company, Asia Synergy Data Solutions ("ASDS"), contributed a royalty-free license of the Cubeler Lending Hub platform to ASSC in exchange for a 51% equity interest and where Jiangsu Zhongpu Jinrong Outsourcing Services Co. Ltd ("Zhongpu") contributed its supply chain network for a 49% equity interest. As a result, Zhongpu owns a 49% non-controlling interest in ASSC.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### **1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GENERAL INFORMATION (cont'd)**

The unaudited interim condensed consolidated financial statements (the "consolidated interim financial statements") are in compliance with the International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Since they are condensed financial statements, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), have been voluntarily omitted or summarized.

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 5 of the Company's consolidated financial statements for the year ended December 31, 2018. There has not been any significant change in judgments, estimates or assumptions since then. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018.

The consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018, except as described below in the changes in accounting policies section.

The interim consolidated financial statements for the three and nine-month periods ended September 30, 2019 (including comparative figures) were approved by the Board of Directors on November 18, 2019.

#### **2 - GOING CONCERN ASSESSMENT**

These interim consolidated financial statements have been prepared on the basis of the going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The level of revenue currently being generated is not presently sufficient to meet the working capital requirements. The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

Also, the Company incurred a net loss of \$1,642,082 for the nine-month period ended September 30, 2019 (\$2,653,359 for 2018), it has an accumulated deficit of \$23,045,634 as at September 30, 2019 (\$20,914,779 as at December 31, 2018) and it has generated positive cash flows from operations for the first time in the last quarter. The company will continue to assess its working capital needs and undertake whatever initiative it deems necessary to ensure that it continues to be in a position to meet its financial obligations.

These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The interim consolidated financial statements do not include any adjustments or disclosures that may be necessary should the Company not be able to continue as a going concern. If this were the case, these adjustments could be material.



## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

### 3. CHANGES IN ACCOUNTING POLICIES

#### 3.1 New Standards adopted as at January 1, 2019

The company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

The Group adopted IFRS 16, Leases, on January 1, 2019. In accordance with the transition guidance of IFRS 16, the new requirements have been applied retroactively with the cumulative effect of initial application recognized as at January 1, 2019. The 2018 financial statements have not been restated.

Previously, the Group classified all leases as operating leases and did not recognize assets or liabilities in the statement of financial position because substantially all the risks and rewards incidental to ownership of the leased asset were not transferred. IFRS 16 requires that lessors recognize assets and liabilities for all leases on the statement of financial position, unless the lease term is 12 months or less or the lease for which the underlying asset is of low value.

On adoption of IFRS 16, the Group recognized the lease liabilities for leases that had previously been classified as “operating leases” in accordance with the principles of IAS 17, Leases. These obligations have been measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities as at January 1, 2019 was 9.42%. The related right-of-use assets were measured in the amount of the lease liabilities as at January 1, 2019, adjusted for the amount of lease incentives recognized in liabilities as at December 31, 2018.

Adoption of IFRS 16 had the following impact on the financial position as at January 1, 2019:

Right-of-use assets	\$393,455
Lease liabilities	\$393,455

The discounted value of the operating lease commitments presented in accordance with IAS 17 as at December 31, 2018, calculated using the incremental borrowing rate as at January 1, 2019, is \$9.27%. The difference between the discounted value of these commitments and the lease liabilities recognized as at December 31, 2018, is essentially variable lease payments relating to operating expenses, property taxes and insurance costs for office space that were not included in the lease liabilities

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

Low-value assets comprise information technology equipment and small value items of office furniture.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Leases

###### *Policy applicable as of January 1, 2019*

The Company recognized a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereafter, the “commencement date”).

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received.

The right-of-use asset is amortized over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discounting rate. The lease payments included in the lease liability include the following, in particular:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Lease payments relating to extension options that the Company is reasonably certain it will exercise.

The Company has elected not to recognize separately non-lease components of leases for office space (buildings). Accordingly, lease payments and the lease liability include payments relating to lease and non-lease components.

The interest expense relating to lease liabilities is recognized in profit or loss using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or when the Company changes its measurement with respect to the exercise of a purchase, extension or termination option. The lease liability adjustment is adjusted against the related right-of-use asset or recorded in profit or loss if the right-of-use asset is reduced to zero.

Lease payments relating to leases with a lease term of 12 months or less and leases for which the underlying asset is of low value are recognized on a straight-line basis as an expense in profit or loss. Low-value assets include computer equipment and small office furniture.

###### *Policy applicable before January 1, 2019*

##### **Operating leases**

All leases where the lessor retained significant portion of the risks and rewards of ownership are treated as operating leases. Payments under operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 5 - BUSINESS COMBINATION

a) On January 1, 2019, the Company transferred certain assets and personnel from Wuxi Wenyi Financial Services Co. into a newly created subsidiary of the Company called Asia Synergy Credit Solutions ("ASCS"). The assets acquired are intangible assets consisting of loan servicing agreements. The assets acquired were determined to constitute a business and, accordingly, the acquisition will be accounted for using the acquisition method of accounting.

The total purchase price for this acquisition was estimated at \$2,000,000, and the fair value of the consideration transferred at \$1,430,000 using a discount rate of 22%. The purchase price will be settled with the issuance of a maximum of 20,000,000 shares of the Company if certain financial performance of ASCS is achieved during the first 18 months of operations. In the event that 20,000,000 shares are issued after the 18-month period and the listed common share price of the Company is less than \$0.10 at that time, the Company will issue additional shares to obtain an aggregate consideration value of \$2,000,000.

#### Fair value of consideration transferred

Issuance between 20,000,000 and 28,667,000 shares of the Company at a market price ranging from \$0.05 to \$0.20	1,430,000
Total consideration transferred (conditional compensation)	<u>1,430,000</u>

#### Identifiable net assets acquired

Loan servicing agreements	1,430,000
Liabilities assumed	-
<b>Identifiable total net assets</b>	<u>1,430,000</u>
Goodwill on acquisition	-
	<u>1,430,000</u>

The conditional compensation liabilities of \$1,430,000 will be re-evaluated on a quarterly basis with each issuance of the Company shares. Difference between the re-evaluate fair value of the remaining conditional compensation and the previously accounted amount will be recognized in profit or loss of the period.

The re-evaluation process performed after the first 9 months of operations of ASCS indicates that the financial performance criteria were achieved. As per the asset transfer agreement, the Company should have issued a total of 12,000,000 shares as purchase price in the first 3 quarters of 2019. Following administrative delay, it was agreed by both parties to postpone the issuance of shares to 2020. Therefore, no change was made to the conditional compensation value at September 30, 2019.

The Company's valuation of intangible assets has identified loan servicing agreements which are amortized on a straight-line basis with a useful life of 5 years. Significant assumptions used in the determination of intangible assets, as defined by management, include month over month loan renewals, discount rate and operating income before depreciation and amortization margin.

There were acquisition-related costs which amounted approximately to \$10,000 with respect to consulting and professional fees. These costs were not included as part of the consideration transferred and have been recognized as an expense in the consolidated statements of comprehensive income for the year ended December 31, 2018.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 6 - LOANS RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

In May 2018 the Company established a licensed financial services' subsidiary in China named Asia Synergy Financial Capital ("ASFC") to provide various financial services to small and medium size enterprise and entrepreneurs. Those services include loans, who for the most part, are guaranteed by a third party and/or collateral assets. Interest revenue from the loans is accounted for as earned. The loans bear interest at an average annual rate of 15.9% since the beginning of ASFC operations calculated on their face value. At inception, loan weighted average repayment period was 16.0 months. For the majority of loans granted, principal and interest are payable by the borrower on a monthly basis.

Loans receivable are described as follows:

	2019-09-30	2018-12-31
	\$	\$
Principal balance loans receivable	20,852,263	19,528,848
Less expected credit loss (ECL)	<u>(344,855)</u>	<u>(149,066)</u>
Loans receivables net	20,507,408	19,379,782
Loans receivable maturing in less than 12 months	11,689,383	9,617,710
Loans receivable maturing in more than 12 months	<u>8,818,025</u>	<u>9,762,072</u>
Total loans	<u><u>20,507,408</u></u>	<u><u>19,379,782</u></u>

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### **Impaired loans and allowances for credit loss**

The Company performed a three-stage forward looking impairment approach to its loan portfolio to measure the expected credit loss as described in detail in note 4.10 of the Company Consolidated Financial Statement as of December 31, 2018.

#### *Credit quality of loans*

The following table presents the gross carrying amount of loans receivable at June 30, 2019, according to credit quality and ECL impairment stages

ECL is calculated on loans value at period end that are not insured by a third party with an assumption of a credit loss allocation provision applied as follows :

	Provision %	Credit loss allocation applied (1)
Stage 1:	1.0%	12.0%
Stage 2:	30.0%	5.0%
Stage 3: Credit loss allocation applied at 100% on interest receivable	100.0%	32.0%

Note (1) : Credit loss allocation of 22% was applied at December 31, 2018 at all stages.

	%	Gross carrying amount	Allowance for credit loss	Net Carrying Amount
<i>September 30, 2019</i>				
		\$	\$	\$
Stage 1 Not overdue <= 30 Days	92.1%	19,213,416	(23,409)	19,190,007
Stage 2 Overdue 1–90 days	4.8%	992,810	(13,838)	978,972
Stage 3 Overdue > 90 days	3.1%	646,037	(307,608)	338,429
Total	100.0%	<u>20,852,263</u>	<u>(344,855)</u>	<u>20,507,408</u>
<i>December 31, 2018</i>				
		Gross	Allowance for	Net Carrying
		\$	\$	\$
Stage 1 Not overdue <= 30 Days	92.0%	17,961,283	(22,469)	17,938,814
Stage 2 Overdue 1–90 days	7.3%	1,417,319	(93,543)	1,323,776
Stage 3 Overdue > 90 days	0.8%	150,246	(33,054)	117,192
Total	100.0%	<u>19,528,848</u>	<u>(149,066)</u>	<u>19,379,782</u>

**Peak Positioning Technologies Inc.**  
**Notes to Interim Consolidated Financial Statements**

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

**7 - DEBTORS**

	<u>2018-09-30</u>	<u>2018-12-31</u>
	\$	\$
Sales tax receivable	19,778	70,884
Advances to companies, 1.55% to 1.7% per month, payable on demand, net of a \$41,693 provision at september 30, 2019	135,303	511,550
Accounts receivable	3,332,818	-
Safety deposit with guarantor	346,736	-
Advance to an affiliated company (note 15)	72,758	32,000
Subscription received/receivable	-	250,000
	<u>3,907,393</u>	<u>864,434</u>

**Peak Positioning Technologies Inc.**  
**Notes to Interim Consolidated Financial Statements**

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

**8 - PROPERTY AND EQUIPMENT**

	Right-of- use:Office \$	Office equipment \$	Vehicles \$	Total \$
<b>Gross carrying amount</b>				
Balance as at January 1, 2019	–	71,224	47,592	118,816
Adjustment on transition to IFRS 16	313,283			313,283
Acquisition	564,737	32,749	–	597,486
Balance as at September 30, 2019	<u>878,020</u>	<u>103,973</u>	<u>47,592</u>	<u>1,029,585</u>
<b>Accumulated amortization</b>				
Balance as at January 1, 2019	–	3,194	2,826	6,020
Depreciation	283,079	20,699	7,922	311,700
Exchange differences	20,538	3,599	2,935	27,072
Balance as at September 30, 2019	<u>303,617</u>	<u>27,492</u>	<u>13,682</u>	<u>344,791</u>
Net carrying amount as at September 30, 2019	<u>574,403</u>	<u>76,481</u>	<u>33,910</u>	<u>684,793</u>
<b>Gross carrying amount</b>				
Balance as at January 1, 2018	–	405	–	405
Acquisition	–	70,819	47,592	118,411
Balance as at December 31, 2018	<u>–</u>	<u>71,224</u>	<u>47,592</u>	<u>118,816</u>
<b>Accumulated amortization</b>				
Balance as at January 1, 2018	–	96	–	96
Depreciation	–	3,098	2,826	5,924
Exchange differences	–	–	–	–
Balance as at December 31, 2018	<u>–</u>	<u>3,194</u>	<u>2,826</u>	<u>6,020</u>
Net carrying amount as at December 31, 2018	<u>–</u>	<u>68,030</u>	<u>44,766</u>	<u>112,796</u>

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 9 - INTANGIBLE ASSETS

	Loan servicing agreement	Trading Platform	Lending Hub Platform	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance as at January 1, 2019	–	2,461,348	747,940	3,209,288
Acquisition	1,430,000	–	384,272	1,814,272
Balance as at September 30, 2019	1,430,000	2,461,348	1,132,212	5,023,560
<b>Accumulated amortization</b>				
Balance as at January 1, 2019	–	1,578,607	51,812	1,630,419
Amortization	214,500	298,552	103,837	616,889
Impairment loss (a)	–	584,189	–	584,189
Exchange differences	–	–	45,636	45,636
Balance as at September 30, 2019	214,500	2,461,348	201,285	2,877,133
Net carrying amount as at September 30, 2019	1,215,500	(0)	930,927	2,146,427
<b>Gross carrying amount</b>				
Balance as at January 1, 2018	–	2,461,348	181,702	2,643,050
Acquisition	–	–	566,238	566,238
Balance as at December 31, 2018	–	2,461,348	747,940	3,209,288
<b>Accumulated amortization</b>				
Balance as at January 1, 2018	–	615,337	–	615,337
Amortization	–	492,270	63,131	555,401
Impairment loss (a)	–	471,000	–	471,000
Exchange differences	–	–	(11,319)	(11,319)
Balance as at December 31, 2018	–	1,578,607	51,812	1,630,419
Net carrying amount as at December 31, 2018	–	882,741	696,128	1,578,869

(a) An impairment loss of \$584,189 (\$471,000 in fiscal 2018) was recognized for the Gold River platform. The recoverable amount of the asset is nil until the Company is able to determine realistic expectations of the future cash flows to be generated by the platform.

#### 10 - ACCOUNTS PAYABLE, ADVANCES AND ACCRUED LIABILITIES

	2019-09-30	2018-12-31
	\$	\$
Trade accounts payable and accruals	3,209,539	1,087,476
Lease liability	519,825	–
Advance from third party, annual interest 10%	758,116	–
Advance from third party, no interest	1,105,749	262,377
Income tax	553,532	111,139
	6,146,761	1,460,992



## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 11 - DEBENTURES

##### a) Debenture issuance of December 15, 2017

On December 15, 2017, the Company placed a total of 1,200 units of debentures at \$10,000 par unit for a gross proceeds of \$12,000,000. Each unit sold is comprised of \$10,000 face value debentures plus 200,000 common share purchase warrants.

Debentures are secured by a pledge on the aggregate assets of the Company, maturing on December 15, 2019, bearing interest at a nominal rate of 8% payable monthly. The Company used the residual value method to allocate the principal amount of the debenture between the liability and the contributed surplus. Under this method, an amount of \$2,721,260 (net of transaction costs) related to the warrants issued was applied to the contributed surplus. The fair value of the liability component was \$9,005,148 computed as the present value of future principal and interest payments discounted at a rate of 25%. The debentures allow their subscribers to surrender part or all of the amount invested in the debentures to exercise their warrants and purchase common shares of the Company any time prior to maturity, subject to certain terms and conditions, at a price of \$0.05 per common share. The units contain a "forced warrant conversion" feature under which 50% of the face value of the debenture will automatically be surrendered to exercise 50% of the warrants if the Company common shares trade at \$0.15 or more for 3 consecutive trading days, and 100% if the Company's common shares trade at \$0.20 or more for 3 consecutive days.

	<u>2019-09-30</u>	<u>2018-12-31</u>
	\$	\$
Balance, beginning of period	3,343,820	4,263,913
Addition	-	-
Accretion of debentures	364,228	453,471
Equity component of debentures	-	-
Surrendering of debentures for exercise of warrants (a)		(1,410,356)
Issuance cost (b)	<u>22,656</u>	<u>36,792</u>
Balance, end of period	<u>3,730,704</u>	<u>3,343,820</u>

- a) At the issuance date, a total of 240,000,000 warrants were included as part of the unit's debenture. 191,000,000 warrants were transferred from existing warrant holders to the debentures' subscribers, for which the original warrant holders received 2,500,000 stock options as compensation, and 49,000,000 additional warrants were newly issued. On the same date the debentures were issued, some debenture subscribers surrendered their debentures for a total face value of \$6,350,000 to exercise 127,000,000 warrants at a price of \$0.05.

During the year of 2018, 36,000,000 warrants were exercised at a price of \$0.05 following surrendering of debentures for a total face value of \$1,800,000.

- b) Issuance costs are related to legal expenses, broker commissions and stock options value to directors and officers

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### b) Debenture issuance of December 19, 2018

On December 19, 2018, the Company placed 51 units of unsecured convertible debentures at \$10,000 per unit for a gross proceeds of \$510,000. Each unit sold is comprised of \$10,000 face value debentures, maturing on December 19, 2020, bearing interest at a nominal rate of 8% payable monthly, plus 10,000 purchase warrants exercisable into Company common share at \$0.10 per share for a period of 24 months from the date of issuance.

The debentures allow their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at a price of \$0.05 per common share.

The units contain a “forced warrant conversion” feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$0.20 or more for 3 consecutive trading days.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, equity component of debenture and the contributed surplus. Under this method, an amount of \$93,940 and \$3,578 (net of transaction costs) related to the conversion features and the warrants issued were applied to equity component of debenture and contributed surplus (respectively). The fair value of the liability component was \$396,672 computed as the present value of future principal and interest discounted at a rate of 22%.

	<u>2019-09-30</u>	<u>2018-12-31</u>
	\$	\$
Balance at the beginning	398,015	–
Addition	–	510,000
Conversion of debentures	(216,819)	
Accretion of debentures	32,445	1,343
Equity component of debentures	–	(93,940)
Contributed surplus for warrants	–	(3,578)
Issuance costs (1)	10,946	(15,810)
Balance at the end	<u>224,587</u>	<u>398,015</u>

1) Issuance costs are related to legal expenses and broker commissions.

In September 2019, \$250,000 face value of debentures were converted to 5,000,000 common shares of the Company at a price of \$0.05 per share.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### c) Debenture issuance of April 24, 2019

On April 24, 2019, the Company placed 28 units of unsecured convertible debentures at \$10,000 per unit for a gross proceeds of \$280,000. Each unit sold is comprised of \$10,000 face value debentures, maturing on April 24, 2021, bearing interest at a nominal rate of 8% payable monthly, plus 200,000 purchase warrants exercisable into Company common share at \$0.10 per share for a period of 24 months from the date of issuance.

The debentures allow their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at the lower of \$0.05 per common share or at the market price per common share prevailing at the time of conversion.

The units contain a “forced warrant conversion” feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at \$0.20 or more for 3 consecutive trading days.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, equity component of debenture and the contributed surplus. Under this method, an amount of \$31,707 and \$23,942 related to the conversion features and the warrants issued were applied to equity component of debenture and contributed surplus (respectively). The fair value of the liability component was \$224,351 computed as the present value of future principal and interest discounted at a rate of 22%.

	<u>2019-09-30</u>	<u>2018-12-31</u>
	\$	\$
Balance at the beginning	–	–
Addition	280,000	–
Conversion of debentures	(87,123)	–
Accretion of debentures	9,356	–
Equity component of debentures	(31,707)	–
Contributed surplus for warrants	(23,942)	–
Balance at the end	<u>146,584</u>	<u>–</u>

In September 2019, \$105,000 face value of debentures was converted to 5,000,000 common shares of the Company at a price of \$0.04 and \$0.02 per share.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 12 - SHAREHOLDERS' EQUITY

##### 12.1 Authorized share capital

The share capital of the Company consists of an unlimited number of common shares without par value.

##### 12.2 Descriptions of the shareholders equity operations

- a) In January 2019, the Company issued 700,000 common shares to settle \$35,000 of debt related to consulting services received by the Company.
- b) As part of the private placement consisting of non-secure convertible debentures close on April 26, 2019, for a consideration of \$280,000, the Company issued 5,600,000 share purchase warrants with an exercise price of \$0.10 per share for a twenty-four (24) month period following the closing date. The 5,600,000 share purchase warrants were repriced with an exercise price of \$0.05 on October 2, 2019, with the same expiry date of April 26, 2021.

Peak also granted 75,000 finder's compensation warrants to eligible persons who helped place the debenture units entitling them to purchase a number of Peak common shares equal to 2.5% of the value of debentures they help place, at a price of \$0.05 per common share for a twenty-four-month period following the closing date.

The fair value of the 5,600,000 warrants was \$83,544 with an attributed value of \$23,942 to contributed surplus. The fair value of the warrants was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	\$0.035
Expected life	2 years
Risk-free interest rate	1.51%
Expected volatility	126%
Dividend	0%
Exercise price at the date of grant	\$0.10

The fair value of the 75,000 finder's warrants was \$1,482. The fair value was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	\$0.035
Expected life	2 years
Risk-free interest rate	1.51%
Expected volatility	126%
Dividend	0%
Exercise price at the date of grant	\$0.05

The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options for each evaluation of fair value using the Black & Scholes option pricing model.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 12.2 Descriptions of the shareholders equity operations (continued).

- c) In May 2019, the Company issued 1,800,000 common shares to settle \$90,000 of debt related to consulting services received by the Company.
- d) On July 16, 2019, the Company closed a private placement consisting in the sale of 1,400,000 units (a "Unit") at a price of \$0.05 per Unit for a proceeds of \$70,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase one (1) share of the Company at the price of \$0.08 each for a period of twenty-four (24) months from the date of issuance.

The fair value of the 1,400,000 warrants was \$13,949. The value attributed to these warrants was \$19,948. The fair value was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	\$0.025
Expected life	2 years
Risk-free interest rate	1.56%
Expected volatility	125%
Dividend	0%
Exercise price at the date of grant	\$0.08

- e) In August 2019, the Company issued 900,000 common shares at a price of \$0.05 per common shares to settle \$45,000 of debt related to consulting services received by the Company.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

- f) On August 28, 2019, the Company closed a private placement consisting in the sale of 22,800,000 units (a "Unit") at a price of \$0.025 per Unit for a proceeds of \$570,000. Each unit consists of one (1) common share and one half (1/2) common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company at the price of \$0.05 each for a period of 12 months from the date of issuance.

The fair value of the 11,400,000 warrants was \$82,435. The value attributed to these warrants was \$72,019. The fair value was calculated using the Black & Scholes option pricing model and the following weighted and the following weighted average assumptions:

Share price at the date of grant	\$0.025
Expected life	1 year
Risk-free interest rate	1.39%
Expected volatility	124%
Dividend	0%
Exercise price at the date of grant	\$0.05

- g) In September 2019, the Company issued 4,750,000 and 250,000 common shares as a result of conversion of debentures previously issued in April 2019 at prices of \$0.02 and \$0.04 respectively for a total face value of \$105,000 of debentures. Part of this issuance, an amount of \$11,890 was transferred from equity component of convertible debentures to capital stock.
- h) In September 2019, the Company issued 5,000,000 common shares as a result of conversion of debentures previously issued in December 2018 at a price of \$0.05 for a total face value of \$250,000 of debentures. Part of this issuance, an amount of \$46,049 was transferred from equity component of convertible debentures to capital stock.
- i) In September 2019, the Company issued 800,000 common shares at a price of \$0.05 per common shares to settle \$40,000 of debt related to consulting services received by the Company.
- j) Also on September 24, 2019, the Company repriced a total of 2,900,000 share purchase warrants that had an original exercise price of \$0.10 to \$0.05. The expiry date, which remains the same, is May 7, 2020.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 12.3 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares as follows:

	2019-09-30		2018-12-31	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of period	116,260,359	0.063	144,773,692	0.059
Granted	18,475,000	0.067	7,486,667	0.073
Expired	(1,640,359)	0.200	—	—
Exercised	—	—	(36,000,000)	0.050
Outstanding and exercisable, end of period	<u>133,095,000</u>	0.061	<u>116,260,359</u>	0.063

As of September 30, 2019 and December 31, 2018, the number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

	2019-09-30		2018-12-31	
Expiration date	Number	Exercise price \$	Number	Exercise price \$
March 2019	—	—	1,640,359	0.200
December 2019	84,000,000	0.050	84,000,000	0.050
May 2020	2,900,000	0.050	2,900,000	0.100
August 2020	11,400,000	0.050	—	—
December 2020	210,000	0.050	210,000	0.050
December 2020	510,000	0.100	510,000	0.100
April 2021	75,000	0.050	—	—
April 2021	5,600,000	0.100	—	—
July 2021	1,400,000	0.080	—	—
June 2022	3,866,667	0.050	3,866,667	0.050
June 2022	5,800,000	0.057	5,800,000	0.057
June 2022	3,333,333	0.061	3,333,333	0.061
June 2022	14,000,000	0.120	14,000,000	0.120
	<u>133,095,000</u>		<u>116,260,359</u>	

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 13 - SHARE-BASED PAYMENTS

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may, from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and others providing similar services to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to 5 years from the date of grant. The options reserved for issuance to any individual director, officer or employee will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to others providing services will not exceed 2% of the issued and outstanding common shares. Options may be exercised as of the grant date for a period determined by the Board, but shall not be greater than 5 years from the date of the grant and 90 days following cessation of the optionee's position with the Company. Provided that the cessation of office, directorships or employment or other similar service arrangement was by reason of death (in the case of an individual), the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Share options and weighted average exercise prices are as follows for the reporting periods presented :

	2019-09-30		2018-12-31	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise price		exercise price
		\$		\$
Outstanding, beginning of period	41,900,000	0.074	35,695,000	0.078
Granted	14,200,000	0.051	7,675,000	0.052
Expired	—	—	(1,470,000)	0.059
Forfeited	(2,100,000)	0.077	—	—
Exercised	—	—	—	—
Outstanding end of period	<u>54,000,000</u>	0.068	<u>41,900,000</u>	0.074
Exercisable end of period	<u>32,418,750</u>	0.077	<u>27,198,750</u>	0.076



**Peak Positioning Technologies Inc.**  
**Notes to Interim Consolidated Financial Statements**

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

**13 - SHARE-BASED PAYMENTS(continued)**

The table below summarizes the information related to outstanding share options as at September 30, 2019

Range of exercise price	Number of options	Weighted average remaining contractual life (years)
\$		
0.050	6,400,000	8 months
0.050	2,500,000	1 years and 3 months
0.050	150,000	1 years and 8 months
0.085	10,500,000	1 years and 10 months
0.105	7,175,000	2 years and 9 months
0.055	375,000	3 years and 2 months
0.080	5,000,000	3 years and 3 months
0.050	100,000	3 years and 7 months
0.050	7,275,000	3 years and 9 months
0.050	750,000	4 years and 2 months
0.050	12,950,000	4 years and 8 months
0.105	625,000	4 years and 8 months
0.050	200,000	5 years
	<u>54,000,000</u>	

The Company has recorded an expense of \$105,343 in the third quarter of 2019 (\$156,281 in Q3-2018) as stock-based compensation. The offset was credited to contributed surplus.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

#### 13.1 Share-based payments granted to directors and employees

- a) On February 12, 2019, the Company granted options to acquire 750,000 common shares at a price of \$0.05 to certain employees . The fair value of the options granted to certain employees amounted to \$29,486 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

The shares are vesting over a two-year period and are exercisable over a period of five years expiring in November 2023.

Share price at the date of grant	\$0.045
Expected life	4 years and 8 months
Risk-free interest rate	1.79%
Volatility	140%
Dividend	0%
Exercise price at the date of grant	\$0.050

- b) On May 27, 2019, the Company granted options to acquire 8,950,000 common shares at a price of \$0.05 to certain employees and directors. The fair value of the options granted to certain directors and employees amounted to \$274,599 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

The shares are vesting over a two-year period and are exercisable over a period of five years expiring in May 2024.

Share price at the date of grant	\$0.035
Expected life	5 years
Risk-free interest rate	1.48%
Volatility	144%
Dividend	0%
Exercise price at the date of grant	\$0.050

- c) On September 5, 2019, the Company granted options to acquire 200,000 common shares at a price of \$0.05 to certain employees . The fair value of the options granted to certain employees amounted to \$8,605 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

The shares are vesting over a two-year period and are exercisable over a period of five years expiring in September 2024.

Share price at the date of grant	\$0.045
Expected life	5 years
Risk-free interest rate	1.28%
Volatility	181%
Dividend	0%
Exercise price at the date of grant	\$0.050

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

(Unaudited)

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#### 13.2 Options granted to consultants

- a) On January 7, 2019, the Company granted 300,000 options to eligible consultants at an exercise price of \$0.10 per share. The options vested at the date of granting and will be exercisable over a period of five years expiring in January 2024. The fair value of the options granted amounted to \$20,300 and was determined by management by comparing similar services on the market.
- b) On May 1, 2019, the Company granted 1,000,000 options to CHF Investors Relations Inc. As part of an investors relations agreement at an exercise price of \$0.05 per share. The options are vesting over twelve months following the date of granting and will be exercisable over a period of five years expiring in may 2024. The fair value of the options granted amounted to \$30,283 and was determined by management by comparing with similar services on the market.
- c) On May 1, 2019, the Company granted two (2) sets of options to a consultant to acquire 3,000,000 common shares (1,500,000 each set) at the price of the higher of \$0.05 per share and a price that is 20% higher than the Company stock price on the last trading day immediately preceding the date of the issuance of the stock option. Each option will vest on the achievement of a minimum of measurable revenue targets that the consultant must help the Company achieve. If vested, the options will expire on May 1st, 2024. The fair value of the options granted amounted to \$18,000 and was determined by management by comparing with similar services on the market.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

#### 14 - Finance costs

	2019-09-30 ( 3 Months)	2018-09-30 ( 3 Months)	2019-09-30 ( 9 Months)	2018-09-30 ( 9 Months)
Interests on debentures	91,419	80,333	266,667	273,092
Interest on lease liabilities (note 4)	12,513	–	34,343	–
Interest on security deposit guarantors	18,899	–	49,010	–
Interest income	(3,029)	(2,107)	(4,735)	(13,621)
Accretion on debentures	145,746	108,088	406,029	343,791
<b>Total interest expense</b>	<b>265,548</b>	<b>186,314</b>	<b>751,314</b>	<b>603,262</b>
Miscellaneous	1,735	2,114	3,937	2,812
	<u>267,283</u>	<u>188,428</u>	<u>755,251</u>	<u>606,074</u>

#### 15 - RELATED PARTY TRANSACTIONS

The Company's related party transactions do not include, unless otherwise stated, special terms and conditions. No guarantees were given or received. Outstanding balances are usually settled in cash.

#### Transactions with key management personnel, officers and directors

The Company's key management personnel, the Chief Executive Officer and the Chief Executive Officer of the Chinese subsidiaries are members of the Board, and their remuneration includes the following expenses:

	2019-09-30 (3 months) \$	2018-09-30 (3 months) \$	2019-09-30 (9 months) \$	2018-09-30 (9 months) \$
Salaries and fringe benefits	91,076	92,039	282,743	284,645
Share-based payments	92,873	142,581	244,994	408,580
Technical, marketing and website services paid to an affiliated company	–	–	21,000	43,680
Royalty	30,427	–	30,427	–
Interest revenue on advance	(2,164)	–	(2,164)	–
Management fees paid to a company held by a director	3,925	7,250	24,825	61,258
Interests on debentures	333	200	881	600
<b>Total</b>	<b>216,470</b>	<b>242,070</b>	<b>602,706</b>	<b>798,763</b>

These transactions occurred in the normal course of operations and have been measured at fair value.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

#### **15 - RELATED PARTY TRANSACTIONS (Continued)**

As at September 30, 2019 and December 31, 2018 the consolidated statement of financial position includes the following amounts with related parties:

	<u>2019-09-30</u>	<u>2018-12-31</u>
	\$	\$
Advances to a related company (a)	<u>72,758</u>	<u>32,000</u>

a) The advance to Cubeler Inc., a related entity to the Company, is documented by an on-demand promissory note, yielding 8.5% interest annually. In the case that the advance is not fully paid on December 16, 2019, Cubeler shall execute and deliver a hypothec on the universality of the present and future movable assets to the company.

## **Peak Positioning Technologies Inc.**

### **Notes to Consolidated Financial Statements**

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

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#### **16 - SEGMENT REPORTING**

The Company has determined that there were two operating segments, which are defined below. For presentation purposes, all other activities are grouped in the "Other" heading. Each operating segment is distinguished by the type of products and services it offers and is managed separately as each requires different business processes, marketing approaches and resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods and services.

The operating segments are detailed as follows:

##### ***Fintech Platform***

The Fintech Platform segment comprises the logistic, procurement and distribution of products within supply chains or facilitating transactions in the commercial lending industry through technology platforms.

##### ***Financial Services***

The Financial Services segment encompasses providing commercial loans to entrepreneurs and SMEs and the activity of providing turn-key credit outsourcing services to banks and other lending institutions.

Both operating segments are geographically located in China.

##### ***Other***

The "Other" category include the activity and unallocated portion of the Canadian parent company's services and all non-operating holdings registered in Hong Kong and China

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

#### 16 - SEGMENT REPORTING (Continued)

The segment information for the nine-month reporting period is as follows:

2019-09-30

	Fintech Platform	Financial Services	Other	Elimination	Total
		\$	\$	\$	\$
<i>Revenues (1)</i>					
Financial service revenue	26,820	2,519,152	–	–	2,545,972
Fees/sales from external customers	1,211,539	939,809	–	–	2,151,348
Supply chain services	2,653,866	–	–	–	2,653,866
Inter-segment	384,696	–	103,530	(488,226)	–
<b>Total revenues</b>	<b>4,276,921</b>	<b>3,458,961</b>	<b>103,530</b>	<b>(488,226)</b>	<b>7,351,186</b>
<i>Expenses</i>					
Depreciation and amortization	113,579	300,594	526,367	–	940,540
Interest expenses	6,268	74,742	674,240	–	755,250
Impairment of intangible asset	–	–	584,189	–	584,189
Gain on deposit and subscription receivable	–	–	–	–	–
All other expenses	3,472,554	2,297,383	886,534	(488,226)	6,168,245
<b>Total expenses</b>	<b>3,592,401</b>	<b>2,672,719</b>	<b>2,671,330</b>	<b>(488,226)</b>	<b>8,448,224</b>
Profit (loss) before tax	684,520	786,242	(2,567,801)	–	(1,097,038)
Income tax (recovery)	260,506	284,538	–	–	545,044
<b>Net profit (loss)</b>	<b>424,014</b>	<b>501,704</b>	<b>(2,567,801)</b>	<b>–</b>	<b>(1,642,082)</b>
Non-controlling interest	298,677	190,095	–	–	488,772
Net profit (loss) attributable to owners of the parent	125,337	311,609	(2,567,801)	–	(2,130,854)
<b>Segmented assets</b>	<b>7,030,648</b>	<b>22,902,481</b>	<b>17,393,945</b>	<b>(17,772,078)</b>	<b>29,554,996</b>

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

#### 16 - SEGMENT REPORTING (Continued)

The segment information for the nine-month reporting period is as follows:

	<b>2018-09-30</b>				
	Fintech Platform	Financial Services	Other	Elimination	Total
	\$	\$	\$	\$	\$
<i>Revenues (1)</i>					
Financial services revenue	47,946	891,550	–	–	939,496
Fees/sales from external customers	–	–	–	–	–
Inter-segment	49,425	–	56,584	(106,009)	–
<b>Total revenues</b>	<b>97,371</b>	<b>891,550</b>	<b>56,584</b>	<b>(106,009)</b>	<b>939,496</b>
<i>Expenses</i>					
Depreciation and amortization	31,151	–	370,273	–	401,424
Interest expenses (income)	380	(9,584)	615,277	–	606,073
All other expenses	950,306	389,866	1,225,319	(106,009)	2,459,482
<b>Total expenses</b>	<b>981,837</b>	<b>380,282</b>	<b>2,210,868</b>	<b>(106,009)</b>	<b>3,466,980</b>
Profit (loss) before tax	(884,466)	511,268	(2,154,284)	–	(2,527,483)
Income tax (recovery)	–	125,876	–	–	125,876
<b>Net Profit (loss)</b>	<b>(884,466)</b>	<b>385,392</b>	<b>(2,154,284)</b>	<b>–</b>	<b>(2,653,359)</b>
Non-controlling interest	–	219,055	–	–	219,055
Net profit (loss) attributable to owners of the parent	(884,466)	166,337	(2,154,284)	–	(2,872,414)
<b>Segmented assets</b>	<b>3,683,710</b>	<b>19,722,929</b>	<b>16,691,433</b>	<b>(16,581,465)</b>	<b>23,516,607</b>

Note (1): Revenues from external customers have been identified on the basis of the customer's geographical location, which is China.



## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2019 and 2018

(In Canadian dollars)

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#### 16 - SEGMENT REPORTING (Continued)

##### Other (continued)

The Company's non-current assets (other than financial instruments) are located into the following geographic regions at :

	2019-09-30	2018-12-31
	Non-current Assets	Non-current Assets
	\$	\$
China	1,615,720	808,924
Canada	1,215,500	882,741
Total	<u>2,831,220</u>	<u>1,691,665</u>

#### 17 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to comply with the basis of presentation adopted in the current year.

#### 18 - SUBSEQUENT EVENTS

- a) On October 2, 2019, the Company repriced a total of 5,600,000 share purchase warrants that had an original exercise price of \$0.10 to \$0.05. The expiry date, which remains the same, is April 26, 2021.
- b) On October 18, 2019, the Company issued 1,250,000 common shares as compensation related to an ongoing consulting agreement.