

**Peak Positioning Technologies Inc.**

**Condensed Interim Consolidated Financial  
Statements (Unaudited)  
For the three and six-month periods ended  
June 30, 2020 and 2019**

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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 six-month periods ended June 30, 2020 and 2019

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

(Unaudited)

	Note	Three-month period ended		Six-month period ended	
		June 30		June 30	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Revenues</b>					
Sales		7,263,504	1,901,723	11,212,899	2,851,233
<b>Expenses</b>					
Outsourcing services		5,422,993	–	7,527,143	–
Salaries and fringe benefits		389,120	429,614	712,930	831,640
Service fees		138,831	384,399	270,463	411,834
Royalty on software		26,028	–	56,901	–
Board remuneration		12,774	17,589	22,343	34,383
Consulting fees		527,285	139,168	853,001	253,869
Management fees		17,987	39,482	39,532	75,388
Professional fees		130,133	35,731	186,535	85,106
Administrative and indirect cost		1,717	88,841	237,828	147,941
Public relations and press releases		27,800	35,595	51,904	66,912
Office supplies, software and utilities		49,517	71,589	102,311	98,019
Lease expenses		11,571	11,665	23,104	24,942
Depreciation of right-of-use assets		126,245	120,715	232,998	173,506
Insurance		10,489	8,039	21,778	15,278
Finance costs	15	260,401	256,430	520,352	487,968
Expected credit loss		254,080	32,576	615,605	37,043
Travel and entertainment		35,424	98,837	82,257	204,061
Stock exchange and transfer agent costs		25,338	19,008	36,116	26,246
Translation cost and others		5,587	8,471	13,937	27,009
Depreciation of property and equipment	8	21,785	10,147	43,154	19,536
Amortization of intangible assets	9	82,475	203,774	164,280	390,921
Expiration of deferred finance cost		–	–	353,377	–
Amortization of financing initial costs		348	9,155	696	18,209
Loss (gain) on foreign exchange		716	20,672	11,052	20,045
		<u>7,578,644</u>	<u>2,041,497</u>	<u>12,179,597</u>	<u>3,449,856</u>
Loss before income taxes		(315,140)	(139,774)	(966,698)	(598,623)
Income tax (recoverable)		223,763	156,213	377,900	266,143
Net loss		<u>(538,903)</u>	<u>(295,987)</u>	<u>(1,344,597)</u>	<u>(864,766)</u>
Net (loss) profit attributable to:					
Non-controlling interest		177,983	209,628	265,064	323,016
Owners of the parent		<u>(716,886)</u>	<u>(505,615)</u>	<u>(1,609,661)</u>	<u>(1,187,782)</u>
		<u>(538,903)</u>	<u>(295,987)</u>	<u>(1,344,597)</u>	<u>(864,766)</u>
<b>Item that will be reclassified subsequently to profit or loss</b>					
Currency translation adjustment		809,770	518,817	(454,451)	444,610
<b>Total comprehensive loss</b>		<u>(1,348,673)</u>	<u>(814,804)</u>	<u>(890,146)</u>	<u>(1,309,376)</u>
<b>Net loss and total comprehensive loss attributable to:</b>					
Non-controlling interest		(18,799)	(227,365)	452,949	(98,883)
Owners of the parent		<u>(1,329,873)</u>	<u>(587,439)</u>	<u>5,577</u>	<u>(1,210,493)</u>
		<u>(1,348,672)</u>	<u>(814,804)</u>	<u>458,526</u>	<u>(1,309,376)</u>
Weighted average number of outstanding shares		<u>742,913,017</u>	<u>676,875,603</u>	<u>737,830,598</u>	<u>676,362,024</u>
Basic and diluted loss per share		<u>(0.001)</u>	<u>(0.001)</u>	<u>(0.002)</u>	<u>(0.002)</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 six-month periods ended June 30, 2020 and 2019

(In Canadian dollars)

(Unaudited)

	Note	Capital stock		Equity to issue	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, 2020		720,592,135	24,234,623	493,414	9,580,333	47,891	(1,054,211)	(23,623,950)	9,678,100	10,441,584	20,119,684
Issuance of shares	15	28,050,000	898,347		242,000				1,140,347		1,140,347
Shares to be issued				265,000					265,000		265,000
Exercise of warrants	15	10,000,000	535,555		(99,153)				436,402		436,402
Equity components of convertible debenture	12					9,408			9,408		9,408
Issuance costs			(33,000)						(33,000)		(33,000)
Share-based compensation	16				147,492				147,492		147,492
Transactions with owners		758,642,135	25,635,525	758,414	9,870,672	57,299	(1,054,211)	(23,623,950)	11,643,749	10,441,584	22,085,333
Net loss								(1,609,661)	(1,609,661)	265,064	(1,344,597)
Other comprehensive loss							454,451		454,451	169,086	454,451
Total comprehensive loss for the year							454,451	(1,609,661)	(1,155,210)	434,150	(890,146)
<b>Balance as of June 30, 2020</b>		<b>758,642,135</b>	<b>25,635,525</b>	<b>758,414</b>	<b>9,870,672</b>	<b>57,299</b>	<b>(599,760)</b>	<b>(25,233,611)</b>	<b>10,488,539</b>	<b>10,875,734</b>	<b>21,364,273</b>
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		2,500,000	125,000		25,424				150,424		150,424
Equity components of convertible debenture						31,707			31,707		31,707
Issuance costs									-		-
Share-based compensation					163,120				163,120		163,120
Transactions with owners		677,642,135	22,884,673		7,935,860	125,647	(189,449)	(20,914,779)	9,841,952	9,989,774	19,831,726
Net loss								(1,187,782)	(1,187,782)	323,016	(864,766)
Other comprehensive loss							(444,610)		(22,711)	(421,899)	(444,610)
Total comprehensive loss for the year							(444,610)	(1,187,782)	(1,210,493)	(98,883)	(1,309,376)
<b>Balance as of June 30, 2019</b>		<b>677,642,135</b>	<b>22,884,673</b>		<b>7,935,860</b>	<b>125,647</b>	<b>(634,059)</b>	<b>(22,102,561)</b>	<b>8,209,560</b>	<b>9,890,891</b>	<b>18,100,451</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 six-month periods ended June 30, 2020 and 2019

(In Canadian dollars)

(Unaudited)

	Note	Three-month period ended		Six-month period ended	
		June 30		June 30	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net loss		(538,903)	(295,987)	(1,344,597)	(864,766)
Non-cash items					
Depreciation of property and equipment	8	21,785	10,147	43,154	19,536
Issuance of shares for settlement of debt		121,301	90,000	413,179	125,000
Expected credit loss		254,080	32,576	615,605	37,043
Amortization of intangible assets		82,475	203,773	164,280	390,920
Amortization of initial cost debenture		348	–	696	–
Depreciation of right-of-use assets	8	126,245	–	232,998	–
Share-based compensation	16	78,290	90,026	147,492	163,120
Accretion of convertible debentures	12	139,449	145,608	278,678	278,492
Expiration of deferred financing cost		–	–	353,377	–
Loans receivables maturing in more than 12 months		2,597,505	152,306	4,552,265	92,588
Net changes in working capital items					
Debtors					
Income tax payable		161,534	85,669	254,716	160,384
Account receivables		(2,600,892)	(867,943)	(3,682,221)	(867,943)
Loans receivables maturing in less than 12 months		(3,291,700)	110,961	(3,470,559)	(2,188,595)
Lease liabilities		–	426,457	–	607,322
Prepaid expenses		1,768,492	(13,188)	235,107	34,986
Other current financial liabilities		1,218,369	871,039	921,167	1,352,062
Cash flows from operating activities		<u>138,378</u>	<u>1,041,444</u>	<u>(284,663)</u>	<u>(659,851)</u>
<b>INVESTING ACTIVITIES</b>					
Intangible asset	9	(207,713)	(462,432)	(554,216)	(2,220,360)
Property and equipment	8	9,070	(137)	(17,923)	(18,238)
Debtors	7	177,726	99,001	388,556	64,790
Cash flows from investing activities		<u>(20,917)</u>	<u>(363,568)</u>	<u>(183,583)</u>	<u>(2,173,808)</u>
<b>FINANCING ACTIVITIES</b>					
Debenture subscription received		–	–	(110,000)	250,000
Shares to issue		265,000	–	265,000	–
Issuance of debenture	12	–	280,000	160,000	280,000
Issuance of Bond	13	288,159	–	288,159	–
CEBA Loan	14	40,000	–	40,000	–
Contingent compensation		–	–	–	1,430,000
Advance from third parties		–	–	1,889,054	–
Advance from a director		–	–	21,920	–
Repayment of lease liabilities		(74,423)	–	(246,894)	–
Non-controlling interest		(18,799)	(227,365)	434,150	(98,883)
Issuance of shares		73,000	–	618,000	–
Cash flows from financing activities		<u>572,937</u>	<u>52,635</u>	<u>3,359,389</u>	<u>1,861,117</u>
<b>IMPACT OF FOREIGN EXCHANGE</b>		<u>(987,752)</u>	<u>(728,445)</u>	<u>189,388</u>	<u>(767,625)</u>
<b>Net increase(decrease) in cash</b>		<u>(297,354)</u>	<u>2,066</u>	<u>3,080,531</u>	<u>(1,740,167)</u>
Cash, beginning of period		<u>5,095,394</u>	<u>274,177</u>	<u>1,717,509</u>	<u>2,016,410</u>
Cash, end of period		<u>4,798,040</u>	<u>276,243</u>	<u>4,798,040</u>	<u>276,243</u>

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

## Peak Positioning Technologies Inc.

### Consolidated Statements of Financial Position

June 30, 2020 and December 31, 2019

(In Canadian dollars)

(Unaudited)

	Note	2020-06-30	2019-12-31
		\$	\$
<b>ASSETS</b>			
Current			
Cash		4,798,040	1,717,509
Loans receivables	6	14,048,041	11,193,087
Debtors	7	7,227,089	3,931,981
Prepaid expenses		595,556	830,662
Deferred financing cost		–	353,377
		<u>26,668,726</u>	<u>18,026,616</u>
Loans receivables	6	3,644,284	8,196,549
Property and equipment	8	546,227	734,443
Intangible assets	9	2,752,319	2,399,410
		<u>33,611,556</u>	<u>29,357,018</u>
<b>LIABILITIES</b>			
Current			
Accounts payable, advances and accrued liabilities	11	7,308,887	4,629,122
Lease liabilities	10	225,560	402,954
Current tax liabilities		773,918	517,756
Debentures	12	3,341,211	3,221,281
Conversion option		24,423	24,423
Contingent compensation payable	5	254,586	254,586
		<u>11,928,585</u>	<u>9,050,122</u>
Debentures	12	–	137,638
Bonds	13	223,262	–
CEBA Loan	14	40,000	–
Lease liabilities	10	55,437	49,574
		<u>12,247,283</u>	<u>9,237,334</u>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Capital stock		25,635,525	24,234,623
Shares to be issued		758,414	493,414
Contributed surplus		9,870,672	9,580,333
Equity component of convertible debentures		57,299	47,891
Accumulated other comprehensive income		(599,760)	(1,054,211)
Deficit		<u>(25,233,611)</u>	<u>(23,623,950)</u>
Shareholders' equity attributable to owners of the parent		<u>10,488,539</u>	<u>9,678,100</u>
Non-controlling interest		<u>10,875,734</u>	<u>10,441,584</u>
Total shareholders' equity		<u>21,364,273</u>	<u>20,119,684</u>
		<u>33,611,556</u>	<u>29,357,018</u>

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

On behalf of the Board,

/S/ Johnson Joseph  
Director

/S/ Charles-André Tessier  
Director

# Peak Positioning Technologies Inc.

## Notes to Interim Consolidated Financial Statements

for the three and six-month ended June 30, 2020 and 2019

(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:

Entities	Registered	% of ownership and voting right	Principal activity	Functional Currency
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

(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 licence 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 six-month ended June 30, 2020 and 2019

(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, 2019. 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, 2019.

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, 2019.

The interim consolidated financial statements for the three and six-month periods ended June 30, 2020 (including comparative figures) were approved by the Board of Directors on August 27, 2020.

### 2 - GOING CONCERN ASSESSMENT and COVID-19

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 \$1,344,597 for the six-month period ended June 30, 2020 (\$864,766 for 2019), it has an accumulated deficit of \$25,233,611 as at June 30, 2020 (\$23,623,950 as at December 31, 2019) and it has not yet generated positive cash flows from operations on a regular basis. Until that happens, 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 World Health Organization declared the COVID-19 outbreak as a global pandemic in March 2020. Since that time, businesses all over the world from a wide swath of industries have seen their operations negatively impacted by the health and safety measures, including limitations on the movement of goods and individuals, put into place by local governments to help control the spread of the outbreak. Although those measures have been relaxed in recent months thanks to a global decline in the proliferation of the virus, which has allowed many businesses, including the Company, to slowly resume their operations, there still remains a great deal of uncertainty as to the extent and duration of the future impact of COVID-19 on global commerce and the Company's business.

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 six-month ended June 30, 2020 and 2019

(In Canadian dollars)

(Unaudited)

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### 3. CHANGES IN ACCOUNTING POLICIES

#### 3.1 New Standards adopted as at January 1, 2020

Some accounting pronouncements which have become effective from January 1, 2020, and have therefore been adopted do not have a significant impact on the Company financial results or position.

### 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated statements have been prepared in accordance with the accounting policies adopted by the Company most recent audited statements for the year ended December 31, 2019.

### 5 - BUSINESS COMBINATION

On January 1, 2019, the Company through its subsidiary called Asia Synergy Credit Solutions ("ASCS") transferred certain assets and personnel from Wuxi Wenyi Financial Services Co.. Wenyi offers turn-key credit outsourcing services to banks and other lending institutions in China. The asset transfer was made to enhance the Company position in the commercial lending market in China. The assets acquired are intangible assets consisting of loan-servicing agreements. The assets acquired were determined to constitute a business combination and, accordingly, the acquisition will be accounted for using the acquisition method of accounting.

The maximum purchase price for this acquisition was estimated at \$2,000,000, and the fair value of the consideration transferred at \$489,000. 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 21 months (1) of operations. In the event that 20,000,000 shares are issued after the 21-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.

The financial performance measure of ASCS was originally after an 18-month period. To take in consideration the Covid19 effect on business performance, it was mutually agreed to add three months to the original agreement to compare the performance targets with the target and determine final share issuance.

The fair value of the consideration transferred was estimated at \$489,000, based on management financial projection of ASCS over the first 21 months of operations. The Company used a probability-weighted estimate to determine the number of shares to be issued based on certain financial performance targets. The number of shares estimated to be issued represents management estimate of an 80% probability that the financial performance will be achieved.

The market price (\$0.03) at which the share will be issued used in the model was estimated using the average historical price from the 6 months prior to the acquisition and the historical volatility over the payment term. The payment was then discounted using the Chinese risk-free rate (4.8%). The Company considers that the risk of the projection being realized was already taken into account through the probability-weighted estimated result.



# Peak Positioning Technologies Inc.

## Notes to Interim Consolidated Financial Statements

for the three and six-month ended June 30, 2020 and 2019

(In Canadian dollars)

(Unaudited)

### 5 - BUSINESS COMBINATION (cont'd)

#### Fair value of consideration transferred

Issuance between 14,000,000 and 17,000,000 shares of the Company at a market price ranging from \$0.03 to \$0.06

489,000

Total consideration transferred (conditional compensation)

489,000

Gain on bargain purchase to profit and loss

941,000

1,430,000

#### Identifiable net assets acquired

Loan servicing agreements

1,430,000

Liabilities assumed

—

#### Identifiable total net assets

1,430,000

Goodwill on acquisition

—

1,430,000

At acquisition, the Company recognized a gain on bargain purchase of \$941,000 for the difference between the value of the identified assets acquired and the fair value of the consideration transferred

As at December 31, 2019, the Company revised its estimation of the fair value of the contingent compensation. The re-evaluation process performed after the first year of operations of ASCS indicates that the financial performance criteria were achieved at 77.1% of the agreed target. As per the asset transfer agreement, the Company should have issued a total of 12,328,611 shares as a purchase price in 2019. Following administrative delay, it was agreed by both parties to postpone the issuance of the shares to 2020. Management initial financial projections for 2020 were maintained, based on the results obtained in 2019. The market share price used for the estimation of the fair value as at December 31, 2019 was established at \$0.05 based on the current market price and the historical volatility of the Company.

The initial conditional compensation liability of \$489,000 was re-evaluated on December 31, 2019, at a fair value of \$748,000 considering the past performance, forecasted results and projected market share price at issuance. The difference of \$259,000 between the re-evaluated fair value of the remaining conditional compensation and the previously accounted amount was recognized as a change in fair value of the contingent compensation payable in the consolidated statements of comprehensive loss of the period.

The contingent liability relating to the 2019 shares that should have been issued, was classified as shares to be issued in the consolidated statements of changes in equity. The value of those shares was determined by using the market price as at December 31, 2019. The difference of \$254,586 between the value of shares to be issued (\$493,414) and the fair value of the contingent liability (\$748,000) is presented as a short-term liability in the consolidated statements of financial position.

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 10 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 loss for the year ended December 31, 2019.

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

for the three and six-month ended June 30, 2020 and 2019

(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 16.3 months. For the majority of loans granted, principal and interest are payable by the borrower on a monthly basis.

Loans receivables are described as follows :

	2020-06-30	2019-12-31
	\$	\$
Principal balance loans receivables	18,668,162	19,789,583
Less expected credit loss (ECL)	(975,837)	(399,947)
Loan receivables net	<u>17,692,325</u>	<u>19,389,636</u>
Loans receivables maturing in less than 12 months	14,048,041	11,193,087
Loans receivables maturing in more than 12 months	3,644,284	8,196,549
Total loans	<u><u>17,692,325</u></u>	<u><u>19,389,636</u></u>

**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, 2019.

*Credit quality of loans*

The following table presents the gross carrying amount of loans receivables at June 30, 2020 , according to credit quality and ECL impairment stages

ECL is calculated on loan value at the 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 - Auto	Credit loss allocation applied - Residential
Stage 1 : 1%		1.0%	1.0%	1.0%
Stage 2: 30%		30.0%	1.0%	1.0%
Stage 3 :100%		100.0%	29.0%	1.0%

  

<b>June 30,2020</b>	<u>%</u>	<u>Gross Carrying</u>	<u>Allowance for</u>	<u>Net Carrying</u>
		\$	\$	\$
Stage 1 Not overdue <= 30 Days	70.2%	13,101,465	(787)	13,100,678
Stage 2 Overdue 30–90 days	11.4%	2,126,862	(4,632)	2,122,230
Stage 3 Overdue> 90 days	18.4%	3,439,835	(970,418)	2,469,417
Total	100.0%	<u>18,668,162</u>	<u>(975,837)</u>	<u>17,692,325</u>

  

<b>December 31, 2019</b>	<u>%</u>	<u>Gross Carrying</u>	<u>Allowance for</u>	<u>Net Carrying</u>
		\$	\$	\$
Stage 1 Not overdue <= 30 Days	88.5%	17,509,277	(11,615)	17,497,662
Stage 2 Overdue 30–90 days	6.4%	1,266,596	(25,382)	1,241,214
Stage 3 Overdue> 90 days	5.1%	1,013,710	(362,950)	650,760
Total	100.0%	<u>19,789,583</u>	<u>(399,947)</u>	<u>19,389,636</u>

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**7 - DEBTORS**

	2020-06-30	2019-12-31
	\$	\$
Sales tax receivable	29,106	27,663
Advances to companies, 1.55% to 1.7% per month (1.55% to 1.7% in 2019), payable on demand.	405,892	392,210
Advance to a company	–	466,622
Accounts receivable	6,333,364	2,657,029
Safety deposits with guarantor (1)	443,145	370,699
Advance to an affiliated company (note 20)	15,582	17,758
	<u>7,227,089</u>	<u>3,931,981</u>

Considering the low number of individual items, evaluation of expected credit loss for debtors are performed at each period end based on past experience, credit default evidence and payment habit.

At June 30, 2020 an amount of \$83,925 (\$83,925 at December 31, 2019) was registered for expected credit loss for debtors.

- (1) As per an agreement with certain loan insurance provider, ASCS, a subsidiary of the Company must maintain a deposit with a loan insurance provider representing 10% of the value of loans serviced by ASCS on behalf of the certain Commercial Bank guaranteed by loan insurer providers. ASCS third party financial partners and the Company's ASFC subsidiary have a three-way agreement in place with ASCS under which third party financial partner and ASFC are jointly responsible for providing and maintaining the 10% safety deposit with a loan insurance provider on behalf of ASCS in exchange for a service fee representing a percentage of the amount of the safety deposit provided. The agreement indicates that in case of default by the borrowers, ASCS will retrieve all the rights to realize the collateral.

**8 - PROPERTY AND EQUIPMENT**

	Right-of-use assets	Office equipment	Vehicles	Total
		\$	\$	\$
<b>Gross carrying amount</b>				
Balance as at January 1, 2020	897,453	106,196	205,358	1,209,007
Acquisition	57,840	3,793	–	61,633
<b>Balance as at June 30, 2020</b>	<u>955,293</u>	<u>109,989</u>	<u>205,358</u>	<u>1,270,640</u>
<b>Accumulated amortization</b>				
Balance as at January 1, 2020	415,644	36,546	22,374	474,564
Amortization	232,998	18,047	25,107	276,152
Exchange differences	(17,522)	(2,344)	(6,436)	(26,301)
Balance as at June 30, 2020	631,120	52,249	41,046	724,415
<b>Net carrying amount as at June 30, 2020</b>	<u>324,173</u>	<u>57,740</u>	<u>164,312</u>	<u>546,227</u>
<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	584,170	34,972	157,766	776,908
<b>Balance as at December 31, 2019</b>	<u>897,453</u>	<u>106,196</u>	<u>205,358</u>	<u>1,209,007</u>
<b>Accumulated amortization</b>				
Balance as at January 1, 2019	–	3,194	2,826	6,020
Amortization	407,611	30,673	16,875	455,159
Exchange differences	8,033	2,679	2,673	13,385
<b>Balance as at December 31, 2019</b>	<u>415,644</u>	<u>36,546</u>	<u>22,374</u>	<u>474,564</u>
<b>Net carrying amount as at December 31, 2019</b>	<u>481,809</u>	<u>69,651</u>	<u>182,984</u>	<u>734,443</u>

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**9 - INTANGIBLE ASSETS**

	Loan agreement	Gold River	Cubeler Interface	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance as at January 1, 2020	1,430,000	2,461,348	1,354,774	5,246,122
Acquisition (a)	–	–	488,239	488,239
Balance as at June 30, 2020	<u>1,430,000</u>	<u>2,461,348</u>	<u>1,843,013</u>	<u>5,734,361</u>
<b>Accumulated amortization</b>				
Balance as at January 1, 2020	143,000	2,461,348	242,364	2,846,712
Amortization	71,500	–	92,780	164,280
Exchange differences	–	–	(28,950)	(28,950)
<b>Balance as at June 30, 2020</b>	<u>214,500</u>	<u>2,461,348</u>	<u>306,193</u>	<u>2,982,042</u>
<b>Net carrying amount as at June 30, 2020</b>	<u>1,215,500</u>	<u>(0)</u>	<u>1,536,819</u>	<u>2,752,319</u>
<b>Gross carrying amount</b>				
Balance as at January 1, 2019	–	2,461,348	747,940	3,209,288
Acquisition	–	–	606,834	606,834
Business acquisition (a)	1,430,000	–	–	1,430,000
<b>Balance as at December 31, 2019</b>	<u>1,430,000</u>	<u>2,461,348</u>	<u>1,354,774</u>	<u>5,246,122</u>
<b>Accumulated amortization</b>				
Balance as at January 1, 2019	–	1,578,607	51,812	1,630,419
Amortization	143,000	298,552	153,527	595,079
Impairment loss (b)	–	584,189	–	584,189
Exchange differences	–	–	37,025	37,025
<b>Balance as at December 31, 2019</b>	<u>143,000</u>	<u>2,461,348</u>	<u>242,364</u>	<u>2,846,712</u>
<b>Net carrying amount as at December 31, 2019</b>	<u>1,287,000</u>	<u>(0)</u>	<u>1,112,410</u>	<u>2,399,410</u>

- (a) Business acquisition, as describe in note 5, was unpaid as at June 30, 2020. This acquisition was a non-cash transaction and thus are excluded from the consolidated statement of cash-flows.
- (b) An impairment loss of \$ Nil at June 30, 2020 (\$584,189 at December 31, 2019) was recognized for the Gold River platform. The recoverable amount of the asset is \$Nil at June 30, 2020, and December 31, 2019, determined using management expectation of the actual value of the future cash-flows generated by the platform. There is no evidence of predictable cash-flow from the platform at June 30, 2020.

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**10 - LEASE LIABILITIES**

On January 1st, 2019 new lease liabilities have been recognized. The Company lease office space. The Company measured lease liabilities at the present value of the lease payments that are not paid at that date. The present value recognized for the lease liabilities was \$313,283. The present value is increased to reflect the interest on the lease liabilities and reduced to reflect the lease payments made.

	<u>2020-06-30</u>	<u>2019-12-31</u>
	\$	\$
Balance – beginning of year	452,528	313,283
Additions	57,840	584,170
Accretion interest	16,810	44,868
Lease payments	(268,657)	(460,361)
Effect of exchange rate change on obligation	22,476	(29,432)
Balance – end of period	<u>280,997</u>	<u>452,528</u>
Current Portion	<u>225,560</u>	<u>402,954</u>
	<u>55,437</u>	<u>49,574</u>

Following is a summary of the Company's obligations regarding lease payments:

	<u>Payment due by period</u>			<u>Total</u>
	<u>1 year</u>	<u>2-5 yea</u>	<u>Beyond 5 years</u>	
	\$	\$	\$	\$
As at June 30, 2020				
Lease payments	307,409	97,458	–	404,867
As at December 31, 2019				
Lease payments	417,620	50,579	–	468,199

**11 - ACCOUNTS PAYABLE, ADVANCES AND ACCRUED LIABILITIES**

	<u>2020-06-30</u>	<u>2019-12-31</u>
	\$	\$
Trade accounts payable and accruals	3,048,696	2,158,064
Advance from third party, annual interest 10%	1,532,931	1,880,146
Advance from a director, no interest (note 16)	308,480	298,400
Advance from third party, no interest	2,418,780	182,512
New debentures to be issued	–	110,000
	<u>7,308,887</u>	<u>4,629,122</u>

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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#### 12 - DEBENTURES

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

On December 15, 2017, the Company has placed a total of 1,200 units of debentures at \$10,000 par unit for 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.

	2019-12-15	2018-12-31
	\$	\$
Balance, beginning of year	3,343,820	4,263,913
Accretion of debentures	475,159	453,471
Surrendering of debentures for exercise of warrants (1)	(264,200)	-
Surrendering of debentures paid in cash	(40,000)	(1,410,356)
Issuance cost (2)	25,221	36,792
Balance, end of year	<u>3,540,000</u>	<u>3,343,820</u>

- 1) 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 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.

During the year 2019, 5,400,000 warrants were exercised at a price of \$0.05 following surrendering of debentures for a total face value of \$ 270,000.

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

**Peak Positioning Technologies Inc.**  
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**12 a) ii) Debenture issuance of December 15, 2017, extended to December 2020**

On or before the maturity date of December 15, 2019, the company reached an agreement with holders of the debenture to extend the maturity of the debenture on December 15, 2020, at the same terms and conditions. At that time, the remaining face value of debentures was \$3,540,000.

The remaining 70,800,000 remaining warrants at maturity accompanying the debenture were replaced by new warrants with the same attributes, except that they will expire on December 15, 2020, to coincide with the new maturity date of the debenture. For each warrant that is tied to the debenture, debenture holders will also receive an additional warrant that will allow them to acquire common shares of the Company at a price of \$0.08 per share at any time for a period of 24 months from their date of issuance.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The renegotiation created a debt extinction for accounting purposes. The initial debt was derecognized and a new debt recognized at fair value, creating a loss on extinction of debt of \$816,793.

The Company used the residual value method to allocate the principal amount of the debenture between the liability and the equity component. Under this method, an amount of \$1,388,688 related to the conversion features and the warrants issued were applied to contributed surplus only as the debenture is non-convertible. The fair value of the liability component was \$2,968,124 computed as the present value of future principal and interest discounted at a rate of 30%.

	2020-06-30	2019-12-31
	\$	\$
Balance, beginning of year	2,990,043	3,540,000
Derecognition of original debt	-	(3,540,000)
Fair market value of renegotiate debentures at fair market value	-	2,968,124
Surrendering of debentures for exercise of warrants (1)	(436,401)	-
Accretion of debentures	244,523	21,919
Balance at the end	<u>2,798,165</u>	<u>2,990,043</u>

The value attributed to the warrants is \$702,010. The fair value of the warrants was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share prices at the date of grant	\$0.04
Expected life	1 year
Risk-free interest rate	1.71%
Expected volatility	82%
Dividend	0%
Exercise prices at the date of grant	\$0.05

The value attributed to the warrants is \$686,659. The fair value of the warrants was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share prices at the date of grant	\$0.04
Expected life	2 years
Risk-free interest rate	1.71%
Expected volatility	79%
Dividend	0%
Exercise prices at the date of grant	\$0.08

- (1) During the first semestral of 2020, 10,000,000 warrants were exercised at a price of \$0.05 following surrendering of debentures for a total face value of \$ 500,000.

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**12 b) Debenture issuance of December 19, 2018**

On December 19, 2018, the Company has 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 debentures 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 was applied to the 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%.

	2020-06-30	2019-12-31
	\$	\$
Balance at the beginning	231,238	398,015
Addition	-	-
Conversion of debentures		(216,819)
Accretion of debentures	13,431	38,744
Equity component of debentures	-	-
Contributed surplus for warrants	-	-
Issuance costs (1)	696	11,298
Balance at the end	<u>245,364</u>	<u>231,238</u>

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



# Peak Positioning Technologies Inc.

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### 12 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 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 shares 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 fair value of the instrument corresponds to the individual fair value of each different instruments as such each component was recorded at its original fair value. an amount of \$39,077 and \$43,107 related to the conversion features and the warrants issued were applied to the conversion option and contributed surplus (respectively). The fair value of the liability component was \$197,817 computed as the present value of future principal and interest discounted at a rate of 30%.

	<u>2020-06-30</u>	<u>2019-12-31</u>
	\$	\$
Balance at the beginning	137,638	-
Addition	-	280,000
Conversion of debentures	-	(92,852)
Accretion of debentures	11,860	18,020
Conversion option	-	(24,423)
Contributed surplus	-	(43,107)
Balance at the end	<u>149,498</u>	<u>137,638</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.

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**12 d) Debenture issuance of January 15, 2020**

On January 15, 2020, the Company has placed 16 units of unsecured convertible debentures at \$10,000 per unit for a gross proceeds of \$160,000. Each unit sold is comprised of \$10,000 face value debentures, maturing on January 15, 2021, bearing interest at a nominal rate of 8% payable monthly, plus 10,000 purchase warrants exercisable into Company common share at \$0.08 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 \$0.15 or more for 5 consecutive trading days.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, equity component of debentures 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 was applied to the 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%.

	2020-06-30	2019-12-31
	\$	\$
Balance at the beginning	-	-
Addition	160,000	-
Conversion of debentures		-
Accretion of debentures	8,864	
Equity component of debentures	(9,408)	-
Contributed surplus for warrants	(11,272)	-
Issuance costs	-	-
Balance at the end	<u>148,184</u>	<u>-</u>

# Peak Positioning Technologies Inc.

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### 13 - BONDS

On May 29, 2020, the Company has placed 400 units of secured corporate bonds at \$1,000 per unit. Each unit sold is comprised of \$1,000 face value bonds, redeemable on June 10, 2023, bearing interest at a nominal rate of 10% payable monthly, plus 200 purchase warrants exercisable into Company common share at \$0.10 per share for a period of 36 months from the date of issuance.

The Bonds will be redeemable after 36 months from the date of issuance (the "Initial Maturity Date"). Each holder has a right (the "Initial Extension Right") at the end of the Initial Maturity Date to extend the Bond for another 12 months (the "Initial Extension Period") by giving written notice to that effect to the Company no later than sixty (60) days prior to the Initial Maturity Date. Any holder that has elected to exercise its Initial Extension Right will also have a further right at the end of the Initial Extension Period to extend its Bond for another 12 months (the "Second Extension Period") under the same notice conditions as stated in the Initial Extension.

If a holder elects to extend its Bonds, the Company may redeem such holder's Bonds at any time on payment of a 5% premium to redeem the Bonds ("Penalty")

The Company has set aside an amount equal to two years of interest in a separate bank account, which will be used to pay interest payable on the Bonds. Any interest accrued on such sum will be in favour of the Company. The set aside amount at June 30, 2020, is \$80,010 and is presented under Cash in the Consolidated statements Financial Position.

Bonds are secured by a pledge on the aggregate assets of the Company, maturing on May 29, 2023. The Company used the residual value method to allocate the principal amount of the bond between the liability and the contributed surplus. Under this method, an amount of \$64,896 (net of transaction costs) related to the warrants issued was applied to the contributed surplus.

The fair value of the liability component was \$ 309,916 computed as the present value of future principal and interest payments discounted at a rate of 22%.

	2020-06-30	2019-12-31
	\$	\$
Balance at the beginning	-	-
Addition	400,000	-
Accretion of bonds	-	-
Contributed surplus for warrants	(64,896)	-
Issuance costs	(111,841)	-
Balance at the end	<u>223,262</u>	-

### 14 - CEBA LOAN (Canada Emergency Business Account)

The Company applied and received on April 15, 2020, \$40,000 under the Canada Emergency Business Account (CEBA) Under this program providing interest-free loans, repaying the balance of the loan on or before December 31, 2022, will result in loan forgiveness of 25% (\$10,000), which is the intention of the company.

# Peak Positioning Technologies Inc.

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### 15 - SHAREHOLDERS' EQUITY

#### 15.1 Authorized share capital

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

#### 15.2 Descriptions of the shareholders' equity operations

- a) As part of the private placement consisting of unsecured convertible debentures closed on January 15, 2020 for a consideration of \$160,000, the Company issued 3,200,000 share purchase warrants with an exercise price of \$0.08 per share for a twenty-four (24) month period following the closing date.

The fair value of the 3,200,000 warrants was \$65,015 with an attributed value of \$11,272 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	\$0.04
Expected life	2 years
Risk-free interest rate	1.63%
Expected volatility (1)	128%
Dividend	0%
Exercise price at the date of grant	\$0.08

- b) On February 3, 2020, the Company closed a private placement consisting of the sale of 14,400,000 units (a "Unit") at a price of \$0.04 per Unit for proceeds of \$570,000. Each unit consists of one (1) common share and half (1/2) common share purchase warrant. Each warrant entitles the holder to purchase one (1) share of the Company at the price of \$0.10 each for a period of twenty-four (24) months from the date of issuance.

The fair value of the 7,200,000 warrants was \$157,547. The value attributed to these warrants was \$112,653. 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	\$0.045
Expected life	2 years
Risk-free interest rate	1.42%
Expected volatility (1)	128%
Dividend	0%
Exercise price at the date of grant	\$0.10

Peak also granted 1,500,000 finder's compensation warrants to eligible persons who helped place the private placements entitling them to purchase a number of Peak common shares at a price of \$0.05 per common share for a twenty-four-month period the issuance.

The fair value of the 1,500,000 warrants was \$41,878 that was attributed to contributed surplus. The fair value of the warrants was calculated using the Black & Scholes option pricing models and the following weighted average assumptions:

Share prices at the date of grant	\$0.045
Expected life	2 years
Risk-free interest rate	1.42%
Expected volatility (1)	128.0%
Dividend	0%
Exercise price at the date of grant	\$0.05

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

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(In Canadian dollars)

(Unaudited)

**15 - SHAREHOLDERS' EQUITY (cont'd)**

- c) In the first semestral of 2020, the Company issued 10,650,000 common shares to settle \$360,000 of debt related to consulting services received by the Company.
- d) Between January 1, 2020, and June 30, 2020, \$500,000 of secured debentures were surrendered to exercise share purchase warrants at a price of \$0.05 per share pursuant to the private placement closed in December 2017. The Company therefore issued 10,000,000 common shares at a price of \$0.05 per share to the debenture holders. A corresponding residual value of \$99,154 attributed to warrants was transferred to capital stock.

**15.3 Warrants**

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

	2020-06-30		2019-12-31	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of period	190,695,000	0.061	116,260,359	0.063
Granted	12,550,000	0.087	89,275,000	0.074
Expired	(2,900,000)	—	(79,440,359)	0.053
Extended	—	—	70,800,000	0.050
Exercised	(10,000,000)	0.05	(6,200,000)	0.050
Outstanding and exercisable, end of period	<u>190,345,000</u>	0.069	<u>190,695,000</u>	0.061

**Peak Positioning Technologies Inc.**  
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**15.3 Warrants (continued)**

As of June 30, 2020 and December 31, 2019, the number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

Expiration date	2020-06-30		2019-12-31	
	Number	Exercise price \$	Number	Exercise price \$
May 2020	–	–	2,900,000	0.050
August 2020	11,400,000	0.050	11,400,000	0.050
December 2020	61,010,000	0.050	71,010,000	0.050
December 2020	510,000	0.100	510,000	0.100
April 2021	75,000	0.050	75,000	0.050
April 2021	5,600,000	0.050	5,600,000	0.050
July 2021	1,400,000	0.080	1,400,000	0.080
December 2021	70,800,000	0.080	70,800,000	0.080
January 2022	3,200,000	0.080	–	–
February 2022	7,200,000	0.100	–	–
February 2022	1,500,000	0.050	–	–
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
May 2023	570,000	0.050	–	–
May 2023	80,000	0.100	–	–
	<u>190,345,000</u>		<u>190,695,000</u>	

# Peak Positioning Technologies Inc.

## Notes to Interim Consolidated Financial Statements

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### 16 - 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 :

	2020-06-30		2019-12-31	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	51,025,000	0.068	41,900,000	0.074
Granted	15,110,000	0.050	15,800,000	0.052
Expired	(3,800,000)	0.050	-	
Forfeited	-		(6,675,000)	0.066
Exercised	-		-	
Outstanding end of period	<u>62,335,000</u>	0.065	<u>51,025,000</u>	0.068
Exercisable end of period	<u>38,962,500</u>	0.073	<u>36,262,500</u>	0.075

The table below summarizes the information related to outstanding share options as at June 30, 2020

Range of exercise price \$	Number of options	Weighted average remaining contractual life (years)
0.050	2,600,000	5 months
0.050	2,500,000	6 months
0.050	150,000	11 months
0.085	10,500,000	1 years and 1 months
0.105	7,800,000	2 years
0.055	375,000	2 years and 5 months
0.080	3,425,000	2 years and 6 months
0.050	100,000	2 years and 10 months
0.050	7,275,000	3 years
0.050	750,000	3 years and 5 months
0.050	9,950,000	3 years and 11 months
0.050	200,000	4 years and 3 months
0.050	600,000	4 years and 5 months
0.055	1,000,000	4 years and 5 months
0.050	<u>15,110,000</u>	5 years
	<u>62,335,000</u>	

The Company has recorded an expense of \$147,488 in the first semestral of 2020 (\$163,121 in 2020) as stock-based compensation. The offset was credited to contributed surplus.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

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#### 17 · Finance costs

	2020-06-30 ( 3 months)	2019-06-30 ( 3 months)	2020-06-30 ( 6 months)	2019-06-30 ( 6 months)
Interest on debentures	74,033	91,337	141,375	175,248
Interest on lease liabilities (note 10)	7,718	13,892	16,906	21,830
Interest on security deposit and advances	44,099	14,185	91,453	30,111
Interest on bonds	3,507	–	3,507	–
Interest income	(9,276)	(329)	(14,246)	(1,706)
Accretion on debentures	139,449	136,453	278,678	260,283
<b>Total interest expense</b>	<u>259,530</u>	<u>255,538</u>	<u>517,673</u>	<u>485,766</u>
Miscellaneous	871	892	2,679	2,202
	<u>260,401</u>	<u>256,430</u>	<u>520,352</u>	<u>487,968</u>

#### 18 - 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:

	2020-06-30 (3 months) \$	2019-06-30 (3 months) \$	2020-06-30 (6 months) \$	2019-06-30 (6 months) \$
Salaries and fringe benefits	97,017	96,249	193,203	191,667
Share-based payments	60,933	79,422	109,555	152,121
Technical, marketing and website services paid to an affiliated company	–	21,000	–	21,000
Royalty	26,028	–	56,901	–
Management fees paid to a company held by a director	–	12,575	2,675	20,900
Interest on debentures	200	348	400	548
Total	<u>184,178</u>	<u>209,594</u>	<u>362,734</u>	<u>386,236</u>

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

As at June 30, 2020 and December 31, 2019 the consolidated statement of financial position includes the following amounts with related parties:

	2020-06-30 \$	2019-12-31 \$
Advance from a director to a subsidiary, no interest	308,480	298,400
Advances to an affiliated company (a)	<u>15,582</u>	<u>17,758</u>
	<u>324,062</u>	<u>316,158</u>



## **Peak Positioning Technologies Inc.**

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

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#### **18 - RELATED PARTY TRANSACTIONS (cont'd)**

a) The advance to Cubeler, 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. The Company decides not to execute its rights on the assets considering the low value of the advances

#### **19 - SEGMENT REPORTING**

The Company has determined that there were two operating segments, which are defined below. For presentation purposes, 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. 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 procurement and distribution of products within supply chain 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**

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**19 - SEGMENT REPORTING (Continued)**

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

	<b>2020-06-30</b>				
	Fintech Platform	Financial Services	Other	Elimination	Total
	\$	\$	\$	\$	\$
<i>Revenues (1)</i>					
Financial service revenue	–	1,788,414	–	–	1,788,414
Fees/sales from					
external customers	1,375,703	477,442	–	–	1,853,145
Supply chain services	7,571,339				7,571,339
Inter-segment	386,504	–	140,998	(527,501)	1
Total revenues	<u>9,333,546</u>	<u>2,265,856</u>	<u>140,998</u>	<u>(527,501)</u>	<u>11,212,899</u>
<i>Expenses</i>					
Depreciation and amortization	110,349	278,780	51,303		440,432
Interest expenses	74,661	21,305	420,878		516,844
All other expenses	7,989,497	2,030,130	1,730,194	(527,501)	11,222,321
Total expenses	<u>8,174,507</u>	<u>2,330,215</u>	<u>2,202,375</u>	<u>(527,501)</u>	<u>12,179,597</u>
Profit (loss) before tax	1,159,039	(64,359)	(2,061,377)	–	(966,698)
Income tax (recovery)	284,126	93,774	–	–	377,900
Net profit (loss)	<u>874,913</u>	<u>(158,133)</u>	<u>(2,061,377)</u>	<u>–</u>	<u>(1,344,598)</u>
Non-controlling interest	<u>322,229</u>	<u>(57,165)</u>	<u>–</u>	<u>–</u>	<u>265,064</u>
Net profit (loss) attributable to owners of the parent	<u>552,684</u>	<u>(100,968)</u>	<u>(2,061,377)</u>	<u>–</u>	<u>(1,609,661)</u>
Segmented assets	<u>11,376,375</u>	<u>23,169,506</u>	<u>17,962,351</u>	<u>(18,896,677)</u>	<u>33,611,556</u>

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

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**19 - SEGMENT REPORTING (Continued)**

**2019-06-30**

	Fintech Platform	Financial Services	Other	Elimination	Total
		\$	\$	\$	\$
<i>Revenues (1)</i>					
Financial services revenue	–	2,234,225	–	–	2,234,225
Fees/sales from external customers	617,008	–	–	–	617,008
Inter-segment	203,950	–	27,654	(231,604)	–
Total revenues	<u>820,958</u>	<u>2,234,225</u>	<u>27,654</u>	<u>(231,604)</u>	<u>2,851,233</u>
<i>Expenses</i>					
Depreciation and amortization	34,916	42,607	351,142	–	428,665
Interest expenses (income)	290	51,139	436,539	–	487,968
All other expenses	695,918	1,428,261	640,648	(231,604)	2,533,223
Total expenses	<u>731,124</u>	<u>1,522,007</u>	<u>1,428,329</u>	<u>(231,604)</u>	<u>3,449,856</u>
Profit (loss) before tax	89,834	712,218	(1,400,675)	–	(598,623)
Income tax (recovery)	31,046	235,097	–	–	266,143
Net Profit (loss)	<u>58,788</u>	<u>477,121</u>	<u>(1,400,675)</u>	<u>–</u>	<u>(864,766)</u>
Non-controlling interest	64,603	258,413	–	–	323,016
Net profit (loss) attributable to owners of the parent	<u>(5,815)</u>	<u>218,708</u>	<u>(1,400,675)</u>	<u>–</u>	<u>(1,187,782)</u>
Segmented assets	<u>4,207,460</u>	<u>22,977,696</u>	<u>17,720,824</u>	<u>(15,548,962)</u>	<u>29,357,018</u>

*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

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#### 19 - SEGMENT REPORTING (Continued)

##### Other (continued)

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

	2020-06-30	2019-12-31
	Non-current Assets	Non-current Assets
	\$	\$
China	2,083,045	1,846,853
Canada	1,215,500	1,287,000
Total	<u>3,298,545</u>	<u>3,133,853</u>

#### 20 - COMPARATIVE FIGURES

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

#### 21 - SUBSEQUENT EVENTS

- a) On July 15, 2020, the Company announces that the common shares of the Company will begin trading on the OTCQB Venture Market in the US , under the symbol "PKKFF". The Company's common shares will continue to trade under the symbol "PKK" on the Canadian Securities Exchange.
- b) On July 28, 2020, the Company announced that all of the issued and outstanding common shares of the Company will be consolidated on the basis of one (1) post-consolidation Common Share for each ten (10) pre-consolidation Common Shares reducing the number of shares issued and outstanding from 804,892,135 to 80,489,213.
- c) On July 22, 2020 and August 24, 2020, the Company closed a private placement consisting in the sale of 17,845,000 units at a price of \$0.20 per shares for gross proceeds of \$3,569,000. Each unit is composed of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one common share at a price of \$0.25 for a period of 24 months following the closing date of the offering.
- d) On August 7, 2020, the Company granted options to acquire 500,000 common shares to a new board member at a price of \$0.225 per common shares.