

# **Peak Positioning Technologies Inc.**

## **Consolidated Financial Statements December 31, 2018 and 2017**

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## Independent Auditor's Report

To the Shareholders of  
Peak Positioning Technologies Inc.

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**Raymond Chabot  
Grant Thornton LLP**  
Suite 2000  
National Bank Tower  
600 De La Gauchetière Street West  
Montréal, Quebec  
H3B 4L8  
T 514-878-2691

### Opinion

We have audited the consolidated financial statements of Peak Positioning Technologies Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Roy.

Montreal  
April 18, 2019

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA public accountancy permit n° A125741

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

Years ended December 31, 2018 and 2017

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

	Note	2018 \$	2017 \$
<b>Revenues</b>			
Financial services revenue		1 681 534	-
Sales		-	7 475 402
Total revenue		<u>1 681 534</u>	<u>7 475 402</u>
<b>Expenses</b>			
Cost of materials		-	7 432 747
Salaries and fringe benefits		974 394	839 071
Service fees		145 270	-
Board remuneration		130 134	182 248
Sales taxes and additions		14 504	4 681
Consulting fees		378 422	794 945
Management fees		216 340	274 039
Expected credit loss		149 016	-
Administrative and indirect cost		182 529	-
Professional fees		259 895	314 308
Public relations and press releases		426 175	150 770
Rental expenses		134 464	105 587
Office supplies, software and utilities		54 051	29 573
Insurance		35 667	43 122
Finance costs	18,4	795 908	88 074
Interface development cost		16 742	-
Travel and entertainment		266 201	242 052
Stock exchange and transfer agent costs		61 166	53 445
Translation cost and other		23 366	11 191
Depreciation of property and equipment	9	5 924	77
Gain on deposit and subscription receivable	7	(201 350)	-
Reversal of accounts payable and accrued liabilities		-	(39 607)
Impairment of intangible asset	8	471 000	-
Amortization of intangible assets - Technology platforms (note 4)	8	555 401	423 425
Amortization of financing initial costs		37 003	-
Gain on foreign exchange		(6 221)	(17 735)
		<u>5 126 001</u>	<u>10 932 012</u>
Loss before income tax		(3 444 467)	(3 456 610)
Income tax (recoverable)	15	164 453	(380)
Net loss		<u>(3 608 920)</u>	<u>(3 456 230)</u>
Net (loss) profit attributable to:			
Non-controlling interest	21	243 759	-
Owners of the parent		(3 852 679)	(3 456 230)
		<u>(3 608 920)</u>	<u>(3 456 230)</u>
<b>Item that will be reclassified subsequently to profit or loss</b>			
Currency translation adjustment		409 930	(221 079)
<b>Net loss and total comprehensive loss</b>		<u>(4 018 850)</u>	<u>(3 235 151)</u>
<b>Net loss and total comprehensive loss attributable to:</b>			
Non-controlling interest	21	23 174	-
Owners of the parent		(4 042 024)	(3 235 151)
		<u>(4 018 850)</u>	<u>(3 235 151)</u>
Weighted average number of outstanding shares		<u>661 178 509</u>	<u>452 630 699</u>
Basic and diluted loss per share	23	<u>(0,006)</u>	<u>(0,008)</u>

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

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

Years ended December 31, 2018 and 2017

(In Canadian dollars)

Note	Capital stock		Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income(loss)	Deficit	Total attributable to owners of parent	Non-controlling interest	Shareholders' equity
	Number of common shares	Amount							
	#	\$							
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
Issuance of shares	9 483 080	471 654	72 757				544 411		544 411
Exercise of warrants	36 000 000	1 822 804	(412 448)				1 410 356		1 410 356
Issuance costs		(85 658)					(85 658)		(85 658)
Equity component of convertible debentures				93 940			93 940		93 940
Deferred financing cost			57 830				57 830		57 830
Non-controlling interest								9 966 600	9 966 600
Share-based compensation			551 414				551 414		551 414
Transactions with owners	675 142 135	22 759 673	7 747 316	93 940	220 481	(17 062 100)	13 759 310	9 966 600	23 725 910
Net loss						(3 852 679)	(3 852 679)	243 759	(3 608 920)
Other comprehensive loss					(409 930)		(189 345)	(220 585)	(409 930)
Total comprehensive loss for the year	–	–	–	–	(409 930)	(3 852 679)	(4 042 024)	23 174	(4 018 850)
<b>Balance as of December 31, 2018</b>	<b>675 142 135</b>	<b>22 759 673</b>	<b>7 747 316</b>	<b>93 940</b>	<b>(189 449)</b>	<b>(20 914 779)</b>	<b>9 496 701</b>	<b>9 989 774</b>	<b>19 486 475</b>
Balance as of January 1, 2017	419 918 564	11 576 483	4 091 124	157 110	(598)	(13 474 095)	2 350 024		2 350 024
Issuance of shares	41 066 999	1 859 955	319 011				2 178 966		2 178 966
Extension effect of warrants			116 133			(116 133)			
Deferred financing cost		(698 102)	993 649				295 547		295 547
Equity component of debentures			2 721 260				2 721 260		2 721 260
Exercise of warrants	160 298 100	7 284 161	(1 695 692)	(37 812)			5 550 657		5 550 657
Exercise of options	1 050 000	137 016	(39 516)				97 500		97 500
Conversion of convertible debentures	5 002 760	411 017		(119 298)		(15 642)	276 077		276 077
Issuance costs	2 322 632	(19 657)					(19 657)		(19 657)
Issuance of options for units debenture			176 290				176 290		176 290
Share-based compensation			795 504				795 504		795 504
Transactions with owners	629 659 055	20 550 873	7 477 763		(598)	(13 605 870)	14 422 168		14 422 168
Net loss						(3 456 230)	(3 456 230)		(3 456 230)
Other comprehensive loss					221 079		221 079		221 079
Total comprehensive loss for the year	–	–	–	–	221 079	(3 456 230)	(3 235 151)	–	(3 235 151)
<b>Balance as of December 31, 2017</b>	<b>629 659 055</b>	<b>20 550 873</b>	<b>7 477 763</b>	<b>–</b>	<b>220 481</b>	<b>(17 062 100)</b>	<b>11 187 017</b>	<b>–</b>	<b>11 187 017</b>

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

## Peak Positioning Technologies Inc.

### Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(In Canadian dollars)

	Note	2018 \$	2017 \$
<b>OPERATING ACTIVITIES</b>			
Net loss		(3 608 920)	(3 456 230)
Non-cash items			
Gain on deposit and subscription receivable		(201 350)	-
Issuance of shares for settlement of debt		288 026	-
Expected credit loss		149 066	-
Impairment of intangible asset	8	471 000	-
Depreciation of property and equipment		5 924	77
Amortization of intangible assets - technology platform		555 401	423 425
Amortization of initial cost debenture		37 003	-
Share-based compensation		551 414	795 504
Accretion of debentures		454 814	25 402
Reversal of accounts payable and accrued liabilities		-	(39 607)
Loans receivables maturing in more than 12 months	4	(9 818 788)	-
Interest charges		-	55 017
Interest paid		-	(100 221)
Net changes in working capital items			
Debtors		23 054	22 915
Loans receivables maturing in less than 12 months	4	(9 710 060)	-
Prepaid expenses		(104 265)	428 090
Accounts payable and accrued liabilities other current financial liabilities		599 835	(80 085)
Cash flows from operating activities		<u>(20 307 846)</u>	<u>(1 925 713)</u>
<b>INVESTING ACTIVITIES</b>			
Term deposit		1 200 000	(1 200 000)
Debtors		(257 386)	(395 592)
Intangible assets - technology platforms		(111 091)	(181 702)
Property and equipment		(79 544)	-
Cash flows from investing activities		<u>751 979</u>	<u>(1 777 294)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of debenture		247 500	3 000 000
Promissory note repayment		-	(224 385)
Non-controlling interest	21	9 966 600	-
Debenture subscription received		9 287 008	-
Debenture repayment		-	(40 039)
Exercise of options		-	97 500
Issuance of shares		230 000	2 982 564
Cash flows from financing activities		<u>19 731 108</u>	<u>5 815 640</u>
<b>IMPACT OF FOREIGN EXCHANGE</b>		<u>(630 514)</u>	<u>199 588</u>
<b>Net increase (decrease) in cash</b>		<u>(455 273)</u>	<u>2 312 221</u>
Cash, beginning of period		<u>2 471 683</u>	<u>159 462</u>
Cash, end of period		<u><u>2 016 410</u></u>	<u><u>2 471 683</u></u>

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

**Peak Positioning Technologies Inc.**  
**Consolidated Statements of Financial Position**

December 31, 2018 and 2017  
(In Canadian dollars)

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
<b>ASSETS</b>			
Current			
Cash		2 016 410	2 471 683
Term deposit, 0,90%		–	1 200 000
Loans receivables	6	9 617 710	–
Debtors	7	864 434	9 465 760
Prepaid expenses		383 635	279 370
Deferred financing cost		353 377	295 547
		<u>13 235 566</u>	<u>13 712 360</u>
Loans receivables	6	9 762 072	–
Property and equipment	9	112 796	309
Intangible assets - Technology platforms	8	1 578 869	2 027 713
		<u>24 689 303</u>	<u>15 740 382</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	10	1 460 992	289 452
Debentures	11	3 343 820	–
		<u>4 804 812</u>	<u>289 452</u>
Debentures	11	398 015	4 263 913
		<u>5 202 827</u>	<u>4 553 365</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock		22 759 673	20 550 873
Contributed surplus		7 747 316	7 477 763
Equity component of convertible debentures	11	93 940	–
Accumulated other comprehensive income		(189 449)	220 481
Deficit		<u>(20 914 779)</u>	<u>(17 062 100)</u>
Shareholders equity attributable to owners of the parent		9 496 701	11 187 017
Non-controlling interest	21	9 989 774	–
Total shareholders' equity		<u>19 486 475</u>	<u>11 187 017</u>
		<u>24 689 303</u>	<u>15 740 382</u>

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

On behalf of the Board,

/S/ Johnson Joseph  
Director

/S/ Laval Bolduc  
Director



# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **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.

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

These 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 \$3,608,920 for the year ended December 31, 2018 (\$3,456,230 for 2017), it has an accumulated deficit of \$20,914,779 as at December 31, 2018 (\$17,062,100 as at December 31, 2017) and it has not yet generated positive cash flows from operations. 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 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.

### **3. CHANGES IN ACCOUNTING POLICIES**

#### **3.1 New Standards adopted as at January 1, 2018**

The company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 3. CHANGES IN ACCOUNTING POLICIES(Continued)

##### 3.1.1 Financial instruments (IFRS 9)

In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking “expected loss” impairment model and substantially–reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets results in a single impairment model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect in measuring liabilities elected to be measured at fair value, so that gains caused by deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. The adoption of this new standard had no significant impact on the expected credit losses and on the Company’s consolidated financial statements. Note 4.10 provides a summary of the new financial instruments accounting policy that was implemented retrospectively to January 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy with respect to financial statements. Under IFRS 9, the Company's financial assets are classified for as follows when compared to the company's previous policy in accordance with IAS39.

	<u>IAS 39</u>	<u>IFRS 9</u>
Cash	Loans and receivables	Amortized cost
Term deposit	Loans and receivables	Amortized cost
Advances to companies	Loans and receivables	Amortized cost
Subscription receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Debentures	Amortized cost	Amortized cost

##### 3.1.2 Revenue from Contracts with Customers (IFRS 15)

The Company has adopted the requirements of IFRS 15 Revenue from contracts with customers (IFRS 15) as of January 1, 2018. The Company elected to use the modified retrospective method of adoption and not to restate the comparative information for prior periods. The Company elected to apply IFRS 15 only to contracts that were not completed at January 1, 2018. The new standards contain a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced, which may affect the amount and/or timing of revenue recognized. The adoption of this new standard had no impact on the Company’s consolidated financial statements.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **3. CHANGES IN ACCOUNTING POLICIES(Continued)**

#### **3.1.2 Revenue from Contracts with Customers (IFRS 15) (Continued)**

IFRS15 requires that revenue from contracts with customers be recognized upon the transfer of control over goods or services to the customer. The recognition of revenue upon the transfer of control to the customer is consistent with our revenue recognition policy as set out in note 4.7, as the condition is generally satisfied when title transfers to the customers in the case of sales to customers.

#### **3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

##### **3.2.1 Leases (IFRS 16)**

In January 2016, the IASB published IFRS 16 which will replace IAS 17 Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease; set requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements.

Under the new standard, the Company will recognize, in the statement of financial position, a right of use assets equivalent to the discounted cash flows of the future minimum payments, and corresponding lease liabilities. The assets will be depreciated over the duration of the lease agreements, which has a weighted average of 25 months. The liabilities will be depleted upon contractual payment to the lessors and a corresponding depreciation and interest expense will be recorded to the consolidated statement of comprehensive loss. The Company is currently assessing the impact of the new standard on its net income.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **3. CHANGES IN ACCOUNTING POLICIES(Continued)**

#### **3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)**

##### **3.2.1 Leases (IFRS 16) (continued)**

The Company will adopt IFRS 16 for its fiscal year beginning January 1, 2019 retrospectively without restatement of comparative amounts and will use the exemptions for short-term leases and leases for which the underlying asset is of low value.

### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **4.1 Statement of compliance with IFRS**

The consolidated financial statements of the Company have been prepared using accounting policies that are in accordance with International Financial Reporting Standards (IFRS).

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, except for the newly adopted standards.

The consolidated financial statements for the year ended December 31, 2018 (including comparative figures) were approved and authorized for the issue by the Board of Directors on April 18, 2019.

#### **4.2 Basis of measurement**

These consolidated financial statements are prepared on an accrual basis using the historical cost method.

#### **4.3 Basis of Consolidation**

The 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.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.3 Basis of Consolidation (continued)

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

<u>Entities</u>	<u>Registered</u>	<u>% of ownership and voting right</u>	<u>Principal activity</u>	<u>Functional Currency</u>
Peak Positioning Technologies Inc.(1)	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
Wuxi Aorong Ltd.	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd	China	51%	Financial institution	Renminbi

The subsidiaries have an annual reporting date of December 31 and are incorporated in Canada, Hong Kong and China. All intercompany transactions and accounts were eliminated upon consolidation, including unrealized gains or losses on intercompany transactions. Where unrealized losses on intercompany asset sales are reversed upon consolidation, the underlying asset is also tested for impairment from the Company's perspective. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

Profit or loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

- (1) Effective January 1, 2018, the subsidiary Peak Positioning Corporation was amalgamated with Peak Positioning Technologies Inc.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES( Continued)**

#### **4.4 Foreign currency translation**

##### **Functional and presentation currency**

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company.

##### **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the date of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in a foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates at the date when fair value was determined.

#### **4.5 Foreign operations**

In the consolidated financial statements, all assets, liabilities and transactions of the entities with a functional currency other than Canadian dollars are translated into Canadian dollars upon consolidation. The functional currency of the entities has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Revenue and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

#### **4.6 Segment reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the senior management team, which makes strategic and operational decisions.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES( Continued)**

#### **4.6 Segment reporting (continued)**

For management purposes, the Company uses the same measurement policies as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segments are not allocated to a segment. This primarily applies to the Company's headquarters.

#### **4.7 Revenue recognition**

Revenue arises mainly from the sale of goods and the rendering of financial services. To determine whether to recognize revenue, the Company follows a 5-step process:

- identifying the contract with a customer;
- identifying the performance obligations;
- determining the transaction price;
- allocating the transaction price to the performance obligations;
- recognizing revenue when performance of obligation is satisfied.

Revenue is recognized either at a point in time or over time when the Company satisfies performance obligations by transferring the promised goods or services to its customers.

#### **Sales revenues**

A sale of goods is recognized when the title to the products has passed, there has been a transfer of the significant risks and rewards of ownership, the price is fixed or determinable.

#### **Financial services revenues**

Financial services revenues include interest revenue earned from commercial loans to small and medium-sized businesses and entrepreneurs and fees earned for services rendered to financial institutions to manage loans made to their own customers.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES( Continued)**

#### **4.7 Revenue recognition (continued)**

##### **Financial services revenues (continued)**

Interest revenue earned from commercial loans are recorded using the effective interest rate method.

Fees earned for services rendered to financial institutions over time is calculated based on a percentage of the loan value under services.

#### **4.8 Current and deferred income taxes**

Tax expense recognized in profit or loss when applicable comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.



# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **4.8 Current and deferred income taxes (Continued)**

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized directly in the equity, in which case the related deferred tax is also recognized in equity.

#### **4.9 Basic and diluted loss per share**

Basic loss per share is calculated using the net loss and the weighted average number of outstanding shares during the year. Diluted loss per share is calculated by adjusting the weighted average number of outstanding shares, for the effects of all dilutive potential ordinary shares which include convertible debentures, options and warrants. Since the Company has incurred losses, the diluted loss per share is equal to the basic loss per share due to the antidilutive effect of convertible debentures, options and warrants.

#### **4.10 Financial instruments**

The Company recognized a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, transaction costs that are directly attributable to the acquisition of the financial asset or the financial liability where applicable.

##### ***Financial assets***

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset contractual cash flow characteristics. The three categories are defined as follows:

- (a) Amortized cost- A financial asset is measured at amortized cost if both of the following conditions are met:
  - the net asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

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(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **4.10 Financial instruments (continued)**

##### ***Financial assets (continued)***

- (b) Fair value through other comprehensive income - Financial assets are classified and measure at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- (c) Fair value through profit or loss - Any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets comprised of cash, term deposit, loans, and debtors (except sales tax receivable) are measured at amortized cost.

##### ***Impairment of financial assets***

The Company will assess the impairment of its loans and debtors using the expected credit loss model. This replaces IAS 39's "incurred loss model". Recognition of credit losses is no longer dependent on the Company first identifying credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit loss, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

At the end of each reporting period, the Company now applies a three-stage forward looking impairment approach for its loans and debtors to measure the expected credit loss (ECL).

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

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(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **4.10 Financial instruments (continued)**

##### ***Impairment of financial assets (continued)***

###### *Determining the stage*

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets and the credit quality have not deteriorated significantly since initial recognition. If the credit risk and the credit quality of non-impaired financial instruments has not deteriorated significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses is measured and recorded at an amount equal to 12-month expected credit loss. When there is a significant increase in credit risk and the credit quality have deteriorated significantly since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses is measured and recorded at an amount equal to lifetime expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset has occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continue to be recorded or the financial asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in stage 3.

###### *Measurement of Expected Credit losses (ECL)*

ECLs are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instruments, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. The cash shortfall is the difference between all contractual cash flows owed to the Company and all the cash flows that the Company expects to receive.

The measurement of ECLs is primarily based on the product of the financial instruments probability of default, loss given default, and exposure at default. Forward-looking macroeconomic factors such as credit default indices, interest rates and gross domestic product are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. Due to the short-term nature of the Company's commercial loans, the forward-looking macroeconomic factors are generally not important to the Company.

The Company applies experienced credit judgment to adjust the modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modelling process.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **4.10 Financial instruments (continued)**

##### ***Impairment of financial assets (continued)***

##### **Measurement of Expected Credit losses (ECL) (continued)**

In the prior year, the impairment of debtors was based on the incurred model. Individually significant receivables were considered for impairment when there were past due or when other objective evidence was received that a specific counterparty will default.

##### ***Financial liabilities***

The Company's liabilities include accounts payable and accrued liabilities (except income tax) and debentures. Financial liabilities measured at amortized cost using the effective interest method.

The liability and equity components of debentures are presented separately on the consolidated statements of financial position starting from initial recognition.

The liability component is recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as equity component of convertible debentures. A deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the liability component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the consolidated statements of comprehensive loss.

When the Company becomes a party to the contractual provisions of the financial instruments, these are initially measured at fair value adjusted for transaction costs. After initial recognition, the financial instruments are measured according to their classification or designation as described below.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

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(In Canadian dollars)

### 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.11 Property and equipment

Property and equipment are initially recorded at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Property and equipment are subsequently measured at cost less accumulated depreciation and impairment.

Depreciation is recognized on a straight-line basis using rates based on the estimated useful lives of the asset as follows:

	Useful life
IT and office equipment	2–5years
Vehicles and other equipment	3–5years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

#### 4.12 Intangible assets

Intangible assets acquired separately are initially recognized at acquisition cost and are subsequently measured at cost less accumulated depreciation and impairment losses. Intangible assets acquired through business combination are measured at their fair value as at the date of acquisition.

Amortization is recognized on a straight-line basis over their estimated useful lives between 3 and 5 years

#### 4.13 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.

#### 4.14 Impairment of long-lived assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows called cash-generating units (CGUs). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill is allocated to those CGUs that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **4.14 Impairment of long-lived assets (Continued)**

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (Being the present value of the expected future cash flows of the relevant assets of the CGU.)

#### **4.15 Provisions**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

#### **4.16 Equity**

Capital stock represents the amount received on the issue of shares less incremental costs, net of tax, directly attributable to the issue of the shares. If shares are issued after share options or warrants are exercised, it also includes compensation costs previously recognized in contributed surplus.

#### **Unit Placements ("Units")**

The Company allocates the equity financing proceeds between common shares and warrants according to the relative fair value of each instrument. The fair value of the common shares is determined according to the market price of the shares on the Canadian Securities Exchange on the issuance date, and the fair value of the warrants is determined using the Black & Scholes pricing model.

Contributed surplus within equity includes amounts in connection with share options and warrants issued. When share options and warrants are exercised, the related compensation cost is transferred in capital stock.

When conversion of debentures occurs, the related cost is transferred from equity component of convertible debentures to capital stock.

Deficit includes all current and prior period losses and the value of the extended warrants.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **4.17 Share-based payments**

The Company operates equity-settled share-based payment plans for its eligible directors, officers, employees and others providing similar services. None of the Company's plans features any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers, agents and finders) are ultimately recognized as an expense in the profit or loss with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing, are recognized as issuance costs and are presented as a reduction to the equity instruments with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is an indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

### **5 - CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors that it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

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(In Canadian dollars)

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### **5 - CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (Continued)**

Information about the significant critical accounting estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities and expenses is provided below.

#### **5.1 Estimates**

##### *5.1.1 Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. Details of the assumptions used by the Company are given in Note 12.

##### *5.1.2 Impairment of long-lived assets*

Determining if there are any facts and circumstances as indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and assumptions in many cases.

#### **5.2 Judgments**

##### *5.2.1 Deferred tax assets*

The Company must use certain assumptions and important accounting judgments to determine if deferred taxes can be recognized. Management has to evaluate whether it is more likely than not that they will be realized, taking into consideration all probable elements at their disposal to determine if all or part of deferred taxes will be recognized. To determine this probability, certain factors have to be taken into account, notably the Company's projection of future taxable income and determine in which fiscal period these profits should materialize.

##### *5.2.2 Going concern*

The assessment of the Company's ability to continue as a going concern and to have sufficient funds to pay its ongoing operating expenditures, meet its liabilities the ongoing year, involve significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. More information about the going concern is disclosed in Note 2.



## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### **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 15.3% since the beginning of ASFC operations calculated on their face value. At inception, loan weighted average repayment period was 15.9 months. Principal and interest are payable by the borrower on a monthly basis.

Loans receivables are described as follows on December 31:

	2018	2017
	\$	\$
Principal balance loans receivables	19 528 848	–
Less expected credit loss (ECL)	(149 066)	–
Loan receivables net	19 379 782	–
Loans receivables maturing in less than 12 months	9 617 710	–
Loans receivables maturing in more than 12 months	9 762 072	–
Total loans	19 379 782	–

#### **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.

For most financial instruments, expected credit loss are measured on an individual basis. Financial instruments that have credit losses measured on a collective basis are grouped according to similar credit risk characteristics.

#### **Credit quality of loans**

The following table presents the gross carrying amount of loans receivables at December 31, 2018, according to credit quality and ECL impairment stages

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

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#### 6 - LOANS RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

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 of 22% after applying the following provision % :

Stage 1 : 1%

Stage 2: 30%

Stage 3 :100%

	%	Gross Carrying \$	Allowance for credit loss \$	Net Carrying Amount \$
Stage 1 Not overdue <= 30 Days	92,0%	17 961 283	(22 469)	17 938 814
Stage 2 Overdue 30–90 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>

#### 7 - DEBTORS

	2018 \$	2017 \$
Sales tax receivable	70 884	93 938
Advances to companies, .84% to 1.5% per month, payable on demand	511 550	371 822
Advance to an affiliated company	32 000	–
Subscription received/receivable (1)	250 000	9 000 000
	<u>864 434</u>	<u>9 465 760</u>

- (1) The Company realized a foreign exchange gain following the receipt of the subscription receivable of December 31, 2017, in a currency other than the functional currency of the Company.

Considering the low number of individual item, evaluation of expected credit loss for debtors are performed at each period end base on past experience, credit default evidence and payment habit. At December 31, 2018 an amount of \$Nil was registered for expected credit loss for debtors.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

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#### 8 - INTANGIBLE ASSETS - TECHNOLOGY PLATFORMS

	Gold River \$	Cubeler/Fintech interface \$	Total \$
<b>Gross carrying amount</b>			
Balance as at January 1, 2018	2 461 348	181 702	2 643 050
Acquisition a)	–	566 238	566 238
Balance as at December 31, 2018	<u>2 461 348</u>	<u>747 940</u>	<u>3 209 288</u>
<b>Accumulated amortization and impairment</b>			
Balance as at January 1, 2018	615 337	–	615 337
Amortization	492 270	63 131	555 401
Impairment losse (b)	471 000	–	471 000
Exchange differences	–	(11 319)	(11 319)
Balance as at December 31, 2018	<u>1 578 607</u>	<u>51 812</u>	<u>1 630 419</u>
Net carrying amount as at December 31, 2018	<u>882 741</u>	<u>696 128</u>	<u>1 578 869</u>
<b>Gross carrying amount</b>			
Balance as at January 1, 2017	3 838 248	–	3 838 248
Acquisition	–	181 702	181 702
Reversal of trade payable (c)	(1 376 900)	–	(1 376 900)
Balance as at December 31, 2017	<u>2 461 348</u>	<u>181 702</u>	<u>2 643 050</u>
<b>Accumulated amortization</b>			
Balance as at January 1, 2017	191 912	–	191 912
Amortization	423 425	–	423 425
Balance as at December 31, 2017	<u>615 337</u>	<u>–</u>	<u>615 337</u>
Net carrying amount as at December 31, 2017	<u>1 846 011</u>	<u>181 702</u>	<u>2 027 713</u>

- a) Acquisitions for a total amount of \$ 466,466 were unpaid as at December 31, 2018. These acquisitions were non-cash transaction and thus are excluded from the consolidated statement of cash-flows.
- b) An impairment loss of \$471,000 (2017: Nil) was recognized for the Gold River platform. The recoverable amount of the asset is its value-in-use, determined using management expectation of the actual value of the future cash-flows generated by the platform.
- c) As a result of the revision of the estimate of work performed, the service provider has reduced the cost of the performed work. Consequently, the cost of the asset has been reduced by the equivalent amount of the balance payable as at December 31, 2016.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

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#### 9 - PROPERTY AND EQUIPMENT

	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance as at January 1, 2018	405	–	405
Acquisition (1)	<u>70 819</u>	<u>47 592</u>	<u>118 411</u>
Balance as at December 31, 2018	<u><u>71 224</u></u>	<u><u>47 592</u></u>	<u><u>118 816</u></u>
<b>Accumulated amortization</b>			
Balance as at January 1, 2018	96	–	96
Amortization	3 098	2 826	5 924
Exchange differences	–	–	–
Balance as at December 31, 2018	<u>3 194</u>	<u>2 826</u>	<u>6 020</u>
Net carrying amount as at December 31, 2018	<u><u>68 030</u></u>	<u><u>44 766</u></u>	<u><u>112 796</u></u>

- a) Acquisitions for a total amount of \$ 38,867 were unpaid as at December 31, 2018. These acquisitions were non-cash transaction and thus are excluded from the consolidated statement of cash-flows.

#### 10 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Income tax	111 139	–
Payable to a Company held by an officer and a director	–	32 827
Trade accounts payable and accruals	<u>1 349 853</u>	<u>256 625</u>
	<u><u>1 460 992</u></u>	<u><u>289 452</u></u>

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 11 - DEBENTURES

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

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

The debentures are secured by a pledge on the aggregate assets of the Company, mature on December 15, 2019, and bear interest at an annual nominal rate of 8% payable monthly. The Company used the residual value method to allocate the principal amount of the debentures 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's common shares trade at \$0.15 or more for 3 consecutive trading days, and 100% of the face value of the debenture if the Company's common shares trade at \$0.20 or more for 3 consecutive days.

	2018-12-31	2017-12-31
	\$	\$
Balance at the beginning	4 263 913	-
Addition	-	12 000 000
Accretion of debentures	453 471	22 833
Equity component of debentures	-	(2 721 260)
Surrendering of debentures for exercise of warrants (1)	(1 410 356)	(4 764 068)
Issuance cost (2)	36 792	(273 592)
Balance at the end	<u>3 343 820</u>	<u>4 263 913</u>

1) At the issuance date, a total of 240,000,000 warrants were included as part of the units debenture. 191,000,000 warrants were transferred from existing warrant holders to the debenture 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 first nine-months of 2018, 36,000,000 warrants were exercised at a price of \$0.05 following surrendering of debenture for a total face value of \$1,800,000.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

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#### 11 - DEBENTURES (Continued)

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

2) Issuance cost are related to legal expenses, broker commissions and stock option value to directors and officers

##### 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 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 was 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%.

	2018	2017
	\$	\$
Balance at the beginning	—	—
Addition	510 000	—
Accretion of debentures	1 343	—
Equity component of debentures	(93 940)	—
Contributed surplus for warrants	(3 578)	—
Issuance cost (1)	(15 810)	—
Balance at the end	<u>398 015</u>	<u>—</u>

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

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 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) During 2017, the Company issued 30,979,650 and 1,000,000 common shares as a result of the exercise of warrants at a price of \$0.025 and \$0.05 for a gross proceed of \$824,401. Part of this issuance, an amount of \$255,692 was transferred from contributed surplus to capital stock. 1,318,450 common shares were issued through the exercise of warrants which resulted in note payable surrendered. An amount of \$37,812 was transferred from the contributed surplus.
- b) Also in 2017, the Company issued a total of 5,002,760 common shares as a result of several conversions of debenture at prices of \$0.025, \$0.05, \$0.057 and \$0.061 for a total worth of \$369,367 of debentures. Part of this issuance, an amount of \$119,298 was transferred from equity component of convertible to capital stock
- c) During 2017, the Company issued 150,000 and 900,000 common shares as a result of exercise of stock options at a price of \$0.05 and \$0.10 for a gross proceeds of \$97,500. Part of this issuance, an amount of \$39,516 was transferred from contributed surplus to capital stock.
- d) On March 29, 2017, the Company closed a private placement consisting in the sale of 1,533,666 units (a "Unit") at a price of \$0.15 per Unit for gross proceeds of \$230,050. Each unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the warrant holder to purchase one (1) common share at a price of \$0.20 for a twenty-four (24) month period. Peak paid a cash commission finder's fee to eligible persons who helped place the Units, equal to 8% of the gross proceeds of the Units they helped place. The fair value of the warrants was \$195,844.

The value attributed to the warrants is \$95,035. 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	\$0.195
Expected life	2 years
Risk-free interest rate	0,0075
Expected volatility	134%
Dividend	0%
Exercise price at the date of grant	\$0.20

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 12 - SHAREHOLDERS' EQUITY (Continued)

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

Peak also granted finder's compensation options to the same eligible persons who helped place the Units entitling them to purchase a number of Peak common shares equal to 8% of the total number of Units they helped place, at the price of \$0.20 per common share for a twenty-four (24) month period following the closing date. The fair value of these 106,693 finders warrants was \$13,624 using the weighted average assumptions as above.

- e) On June 14, 2017, the Company signed a \$ 5,000,000 share subscription facility agreement. Under the terms of the three year agreement, the Company will send a draw down notice specifying the number of common shares for which the other party will have an obligation to subscribe. The subscription price will be at the equivalent of 90% of the average trading price for fifteen (15) following the draw down notice. At the signing of the agreement, the Company issued 14,000,000 share purchase warrants and will issue another 13,000,000 warrants along with each of the first 13,000,000 shares subscribed for a total of 27,000,000 warrants over the course of the agreement. Each warrant will allow to purchase one common share for a period of five (5) years from the date of issuance of the warrant. The warrants issued at the signing of the agreement have an exercise price of \$0.12, while the warrants to be issued along with the share subscription will vary in proportion of the closing price prior to the day on which the warrants are being issued.

The Company shall pay a fee equal to 2% of the aggregate purchase price, being \$100,000 payable irrespective of whether any drawdown notices have been delivered. Fees may be paid in cash or common shares. In the case of such fees being paid in common shares based on a price per share equal to the market price for the issuance date. As at December 31, 2017, 1,372,632 common shares were issued for a total value of \$80,342.

The value attributed to the 14,000,000 warrants at signing of the agreement was \$993,649 and was presented as a deferred financing cost in the contributed surplus and will be amortized based on the number of issued shares. 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	\$0.10
Expected life	2.5 years
Risk-free interest rate	0,91%
Expected volatility	140%
Dividend	0%
Exercise price at the date of grant	\$0.12



## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 12 - SHAREHOLDERS' EQUITY (Continued)

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

- f) As part of the agreement described above, the Company issued at the end of August 3,333,333 and 5,800,000 shares at a price of \$0.061 and \$0.057 respectively for a total consideration of \$535,614. Along with the issuance of shares, the Company issued 3,333,333 and 5,800,000 warrants with an exercise price of \$0.061 and \$0.057 respectively. Each warrant will allow to purchase one common for a period of 5 years from the date of the signing of the agreement.

The fair value of the 3,333,333 warrants was \$149,753. The value attributed to these warrants was \$83,527. 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	\$0.065
Expected life	2 years
Risk-free interest rate	1.27%
Expected volatility	140%
Dividend	0%
Exercise price at the date of grant	\$0.061

The fair value of the 5,800,000 warrants was \$264,758. The value attributed to these warrants is \$136,653. 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	\$0.065
Expected life	2 years
Risk-free interest rate	1.27%
Expected volatility	140%
Dividend	0%
Exercise price at the date of grant	\$0.057

- g) From September to December 2017, the Company issued 30,000,000 common shares at a price of \$0.05 per share, as part of a private placement, for a total consideration of \$1,500,000. In connection with the private placement, the Company paid a cash 7.8% finder's fees on the value of the private placement for a total of \$117,500 and issued 950,000 common shares as finder's fees. The treasury order for 20,000,000 common shares was sent to the registry as at January 5, 2018.
- h) In 2017, the Company issued 400,000 common shares for a cash consideration of \$10,000.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### 12 - SHAREHOLDERS' EQUITY (Continued)

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

- i) In December 2017, the Company issued a total of 127,000,000 common shares through the exercise of warrants, which resulted in debentures surrendered, at price of \$0.05 per share. Nominal amount corresponding of the debenture is \$6,350,000. A corresponding residual value of \$1,440,000 attributed to warrants was transferred to capital stock.
- j) On December 15, 2017, the maturity date of 199,000,000 warrants issued in June 2016 was modified from June 1, 2018 to December 15, 2019. Of the total amount, 191,000,000 were exchanged for 2,500,000 stock options. Given that the fair value of the 191,000,000 warrants is greater than the fair value of the stock options, no adjustment has been made to contributed surplus. 1,000,000 warrants were exercised. For the balance of 7,000,000 warrants, the modification of the maturity date have an impact of \$116,133 on contributed surplus and deficit.
- k) In January 2018, the Company closed a private placement financing consisting in the sale of 5,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$250,000. In connection with the private placement, the Company paid a cash finder's fees representing 8% of the value of the private placement for a total of \$20,000.
- l) In January 2018, the Company issued 1,500,000 common shares for a value of \$ 75,000 as a finder's fee to eligible persons related to a series of private placements conducted in the last quarter of 2017 and January 2018, which an amount of \$66,372 was accrued as at December 31, 2017.
- m) Between January 1, 2018 and December 31, 2018 , \$1,800,000 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 36,000,000 common shares at a price of \$0.05 per share to the debenture holders. A corresponding residual value of \$412,448 attributed to warrants was transferred to capital stock.
- n) In March and May 2018, the Company issued 600,000 and 400,000 common shares respectively to settle \$50,000 of debt related to consulting services received by the Company.
- o) In May 2018, the Company issued 2,900,000 warrants in consideration for the private placement made in the fourth quarter of 2017 and first quarter of 2018. Each warrant will allow to purchase one common share at a price of \$0.10 per share for a period of two (2) years from the date of issuance.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 12 - SHAREHOLDERS' EQUITY (Continued)

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

The value attributed to the warrants is \$65,658. 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	\$0.045
Expected life	2 years
Risk-free interest rate	1,91%
Expected volatility	131%
Dividend	0%
Exercise prices at the date of grant	\$0.10

- p) In the third quarter of 2018, the Company issued 1,983,080 common shares to settle \$96,654 of debt related to consulting and marketing services received by the Company.
- q) In December 2018, the Company issued 3,866,667 warrants to fulfill his contractual obligations under the share subscription agreement signed on June 14, 2017. Each warrant allows purchasing one common share until June 14, 2022 at an exercise price of \$0.05 per share.

The value attributed to the 3,866,667 warrants issued in December 2018 was \$57,830 and was presented as a deferred financing cost in the contributed surplus and will be amortized based on the number of issued shares. The fair value of the warrants was calculated using Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	\$0.025
Expected life	2.5 years
Risk-free interest rate	1,93%
Expected volatility	131,5%
Dividend	0%
Exercise price at the date of grant	\$0.05

- r) As part of the private placement consisting of non-secure convertible debenture close on December 19, 2018 for a consideration of \$510,000, the Company issued 510,000 share purchase warrants with an exercise price of \$0.10 per share for a twenty-four (24) month period following the closing date.

Peak also granted 210,000 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.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 12 - SHAREHOLDERS' EQUITY (Continued)

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

The fair value of the 510,000 warrants was \$6,534 with an attributed value of \$3,578 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	\$0.03
Expected life	2 years
Risk-free interest rate	1,90%
Expected volatility	131%
Dividend	0%
Exercise price at the date of grant	\$0.10

The fair value of the 210,000 finder's warrants was \$3,521. 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	\$0.03
Expected life	2 years
Risk-free interest rate	1,90%
Expected volatility	131%
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.

##### 12.3 Warrants

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

	2018		2017	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of period	144 773 692	0,059	231 298 100	0,047
Granted	7 486 667	0,073	73 773 692	0,068
Exercised	<u>(36 000 000)</u>	0,050	<u>(160 298 100)</u>	0,045
Outstanding and exercisable, end of period	<u>116 260 359</u>	0,063	<u>144 773 692</u>	0,059

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 12 - SHAREHOLDERS' EQUITY (Continued)

##### 12.3 Warrants (continued)

As of December 31, 2018 and 2017, the number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

	2018		, 2017	
	Number	Exercise price \$	Number	Exercise price \$
Expiration date				
March 2019	1 640 359	0,200	1 640 359	0,200
December 2019	84 000 000	0,050	120 000 000	0,050
May 2020	2 900 000	0,100	—	—
December 2020	210 000	0,050	—	—
December 2020	510 000	0,100	—	—
June 2022	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>116 260 359</u>		<u>144 773 692</u>	

#### 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, directorship 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.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 13 - SHARE-BASED PAYMENTS (Continued)

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

	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	35 695 000	0,078	24 045 000	0,070
Granted	7 675 000	0,052	13 675 000	0,090
Expired	(1 470 000)	0,059	(975 000)	0,100
Exercised	—	—	(1 050 000)	0,100
Outstanding end of period	41 900 000	0,074	35 695 000	0,078
Exercisable end of period	27 198 750	0,076	17 760 000	0,063

The table below summarizes the information related to outstanding share options as at December 31, 2018

Range of exercise price \$	Number of options	Weighted average remaining contractual life (years)
0,050	6 900 000	1 years and 5 months
0,050	500 000	1 years and 8 months
0,050	2 500 000	2 years
0,050	150 000	2 years and 5 months
0,085	10 500 000	2 years and 7 months
0,105	8 300 000	3 years and 6 months
0,055	375 000	3 years and 11 months
0,080	5 000 000	4 years
0,050	100 000	4 years and 4 months
0,050	7 275 000	4 years and 6 months
0,100	300 000	4 years and 6 months
	41 900 000	

The weighted average fair value of options awarded during the period is \$0.052 (\$0.094 in 2017). The Company has recorded an expense of \$551,414 (\$795,504 in 2017) as stock-based compensation. The offset was credited to contributed surplus.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 13 - SHARE-BASED PAYMENTS (Continued)

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

- a) On June 1, 2017, the Company granted options to acquire 7,950,000 common shares at a price of \$0.105 to certain employees and directors. The fair value of the options granted to certain directors and employees amounted to \$720,687 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 June 2022.

Share price at the date of grant	\$0.10
Expected life	5 years
Risk-free interest rate	1%
Volatility	150%
Dividend	0%
Exercise price at the date of grant	\$0.105

- b) On November 27, 2017, the Company granted options to acquire 375,000 common shares at a price of \$0.055 to certain employees and directors. The fair value of the options granted to certain directors and employees amounted to \$16,956 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 2022.

Share price at the date of grant	\$0.05
Expected life	5 years
Risk-free interest rate	1%
Volatility	150%
Dividend	0%
Exercise price at the date of grant	\$0.055

- c) On December 15, 2017, the Company granted options to acquire 5,000,000 common shares at a price of \$0.08 to certain employees and directors to recognize their debenture financing contribution and forgiveness of an advantage related to 191,000,000 warrants previously issued and transferred to new debenture subscribers (Note 12.2 (m)). Consequently, a value of \$176,290 representing 2,500,000 options related to the debenture financing contribution was considered as debenture issuing cost. Value of the option was calculated as per below:

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 13 - SHARE-BASED PAYMENTS (Continued)

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

The shares are vesting over a two-year period and are exercisable over a period of five years expiring in December 2022.

Share price at the date of grant	\$0.07
Expected life	5 years
Risk-free interest rate	1.66%
Volatility	168%
Dividend	0%
Exercise price at the date of grant	\$0.08

- d) On April 16, 2018 the Company granted options to acquire 100,000 common shares at a price of \$0.05 to certain employees.

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

The fair value of the options granted to certain directors and employees amounted to \$4,228 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

Share price at the date of grant	\$0.045
Expected life	5 years
Risk-free interest rate	2.1%
Volatility	168%
Dividend	0%
Exercise price at the date of grant	\$0.050

The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options.

- e) On June 5, 2018 the Company granted options to acquire 7,175,000 common shares at a price of \$0.05 to certain employees and directors.

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



## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 13 - SHARE-BASED PAYMENTS (Continued)

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

The fair value of the options granted to certain directors and employees amounted to \$251,314 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

Share price at the date of grant	\$0.04
Expected life	5 years
Risk-free interest rate	1.90%
Volatility	140%
Dividend	0%
Exercise price at the date of grant	\$0.050

The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options.

##### 13.2 Options granted to consultants

- a) On June 1, 2017, the Company granted 350,000 options to a consultant at an exercise price of \$0.055 per share as part of its consulting agreement. The options are vesting over a two-year period and are exercisable over a period of five years following the date of granting. The fair value of the options granted to consultant amounted to \$36,120 and was determined by management by comparing with similar services on the market.
- b) On June 5, 2018, the Company granted 100,000 options to a consultant at an exercise price of \$0.050 per share as part of their consulting agreement. The options vest over a two-year period and are exercisable over a period of five years following the date of granting. The fair value of the options granted to consultant amounted to \$18,060 and was determined by management by comparing with similar services on the market.
- c) On June 6, 2018, the Company granted 300,000 options to consultants at an exercise price of \$0.10 per share as part of their consulting agreement. The options vest at issuance and are exercisable over a period of five years following the date of granting. The fair value of the options granted to consultant amounted to \$20,300 and was determined by management by comparing with similar services on the market.

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

#### 14 - LEASES

The Company's future minimum operating lease payments are as follows:

	Due within 1 year	Due within 1 to 5 years	Total
	\$	\$	\$
December 31, 2018	91 820	333 243	425 063
December 31, 2017	-	-	-

Lease payments, net of grants received, recognized as an expense during the periods amount to \$134,464 (\$105,587 in 2017). There is no lease contract other than a month-to-month renewable base for the head-office in Canada.

Company's future minimum operating lease payments include lease arrangement for the new subsidiaries Asia Synergy Credit Solution created in December 2018 and lease arrangements for all other chinese subsidiaries

#### 15 - INCOME TAXES

##### Significant tax expense (income) components

The significant tax expense (income) components are detailed as follows:

	2018	2017
	\$	\$
Current tax expense (income)		
Origination and reversal of temporary differences	-	-
Change in tax rates	-	-
Change in unrecognized temporary differences	-	-
Prior period adjustments	164 453	380
Total current tax expense (income)	<u>164 453</u>	<u>380</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	(1 273 572)	(656 556)
Change in tax rate	1 946	3 869
Change in unrecognized temporary differences	1 271 626	652 687
Total deferred tax expense (income)	<u>-</u>	<u>-</u>

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 15 - INCOME TAXES (Continued)

Movement of deferred income tax

				2018
Balance as at December 31, 2017	Profit and loss	Contributed surplus	Equity component on debentures	Balance as at December 31, 2018
	\$	\$	\$	\$
Liability component of convertible debentures	–	–	–	–
Non-capital losses	–	–	–	–
	–	–	–	–
				2017
Balance as at December 31, 2016	Profit and loss	Contributed surplus	Equity component on debentures	Balance as at December 31, 2017
	\$	\$	\$	\$
Liability component of convertible debentures	(723)	–	723	–
Non-capital losses	723	–	(723)	–
	–	–	–	–
	–	–	–	–

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 15 - INCOME TAXES (Continued)

#### Relationship between expected tax expense and tax expense in income

The relationship between the expected tax expense calculated on the basis of the combined federal and provincial tax rate in Canada and the tax expense presented on the consolidated statements of comprehensive income is as follows:

	2018	2017
	\$	\$
Loss before income taxes	<u>(3 444 467)</u>	<u>(3 456 230)</u>
Expected tax expense (income) calculated on the basis of the combined federal and provincial tax rate in Canada of 26.7% (26.89% in 2017)	(919 673)	(926 270)
Adjustments for the following		
Share-based payments	147 228	213 195
Variance between statutory and deferred tax rates	1 946	3 869
Difference in foreign tax rate	(57 241)	24 661
Other non-deductible expenses	121 435	6 963
Change in unrecognized temporary differences	1 271 626	652 687
True up	(408 637)	26 153
Other	7 769	(878)
Tax expense (income)	<u>164 453</u>	<u>380</u>

#### Unrecognized temporary differences

The Company has the following temporary differences and tax losses for which no deferred tax was recognized:

	2018		
	Federal	Provincial	Foreign
	\$	\$	\$
Unrecognized deductible temporary differences			
Property and equipment	1 632 806	1 632 806	
Other assets	1 233 063	1 233 063	
Financing and share issue costs	177 283	177 283	
Scientific research and experimental developer	1 747 356	—	
Non-capital losses	10 406 409	12 333 475	2 765 823
Other	100	399	
	<u>15 197 017</u>	<u>15 377 026</u>	<u>2 765 823</u>

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 15 - INCOME TAXES (Continued)

#### Unrecognized temporary differences (Continued)

	2017		
	Federal	Provincial	Foreign
	\$	\$	\$
Unrecognized deductible temporary differences			
Property and equipment	741 359	741 359	
Other assets	1 233 063	1 233 063	
Financing and share issue costs	82 437	82 437	
Scientific research and experimental development expenses	1 792 998	46 147	
Non-capital losses	8 124 356	10 051 422	1 730 847
Other	399	399	
	<u>11 974 612</u>	<u>12 154 827</u>	<u>1 730 847</u>

As at December 31, 2018, the Company has non-capital losses that are available to reduce income taxes in future years and for which no deferred tax asset has been recognized in the consolidated statements of financial position. These losses expire in the following years:

	Federal	Provincial	Foreign
	\$	\$	
2021			360 802
2022			734 162
2023			1 670 859
2024			
2025	-	-	
2026	4 028	4 028	
2027	141 229	141 229	
2028	322 989	322 989	
2029	253 979	-	
2030	-	253 979	
2031	1 081 723	1 051 288	
2032	1 730 827	1 715 690	
2033	506 261	495 001	
2034	961 557	963 040	
2035	1 226 101	3 220 692	
2036	1 241 368	1 229 192	
2037	2 133 544	2 133 544	
2038	802 803	802 803	
	<u>10 406 409</u>	<u>12 333 475</u>	<u>2 765 823</u>

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 16 - ENGAGEMENT

In March 2018, the Company's agreement with Cubeler Inc. was amended to adjust the royalty fee payable by the Company to Cubeler Inc. The compensation for the exclusive licence will now be between 5% and 3% on a declining scale (between 10% and 5% before the amendment) of gross revenues generated by the Cubeler platform.

Cubeler Inc. is a privately held company who has certain shareholders in common with the Company.

### 17 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are as follows:

- To ensure the Company's ability to continue its development;
- To provide an adequate return to shareholders.

The Company monitors capital on the basis of the carrying amount of equity which represents \$19,486,475 (\$11,187,017 as at December 31, 2017).

The Company manages the capital structure and makes adjustments to it to ensure it has sufficient liquidities and raises capital through stock markets to continue its development.

The Company is not subject to any externally imposed capital requirements.

### 18 - FINANCIAL INSTRUMENTS

#### 18.1 Classification of financial instruments

Note 4.10 provides a description of financial assets and financial liabilities and the related accounting policies. The carrying amount of financial assets and financial liabilities are as follows:

	Assets and liabilities carried at amortized cost	2018 Total carrying value
	\$	\$
Financial assets		
Financial assets measured at amortized cost		
Cash	2 016 410	2 016 410
Debtors	793 550	793 550
Loan receivables	19 379 782	19 379 782
	<u>22 189 742</u>	<u>22 189 742</u>

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 18 - FINANCIAL INSTRUMENTS (Continued)

#### 18.1 Fair value measurement and classification of financial instruments (continued)

##### Financial liabilities

##### Financial liabilities measured at amortized cost

Accounts payable and accrued liabilities (excluding income tax)	1 349 853	1 349 853
Debentures	3 741 835	3 741 835
	<u>5 091 688</u>	<u>5 091 688</u>

2017

Assets and liabilities carried at amortized cost	Total carrying value
<u>\$</u>	<u>\$</u>

##### Financial assets

##### Loans and receivable

Cash	2 471 683	2 471 683
Term deposit	1 200 000	1 200 000
Debtors	9 371 822	9 371 822
	<u>13 043 505</u>	<u>13 043 505</u>

##### Financial liabilities

##### Financial liabilities measured at amortized cost

Accounts payable and accrued liabilities	259 571	259 571
Debentures	4 263 913	4 263 913
	<u>4 523 484</u>	<u>4 523 484</u>

#### 18.2 Financial risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main risks the Company is exposed to are market risk and liquidity risk.

The Company does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instrument risk management during the reporting periods.

The most significant financial risks to which the Company is exposed are described below.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

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(In Canadian dollars)

### 18 - FINANCIAL INSTRUMENTS (Continued)

#### 18.3 Financial risks

##### 18.3.1 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources for a sufficient amount. The Company's objective is to maintain a cash position sufficient to cover the next twelve-month obligations (Notes 2 and 17).

The Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current		2018
	Within	6 to 12 months	Long-term
	6 months		More
	\$	\$	than 12 months
			\$
Accounts payable and accrued liabilities	1 349 853	–	–
Debentures	174 400	4 012 164	549 570
	<u>1 524 253</u>	<u>4 012 164</u>	<u>549 570</u>
	Current		2017
	Within	6 to 12 months	Long-term
	6 months		More
	\$	\$	than 12 months
			\$
Accounts payable and accrued liabilities	259 571	–	–
Debentures	224 142	227 858	6 082 186
	<u>483 713</u>	<u>227 858</u>	<u>6 082 186</u>

#### 18.4 Finance costs

	2018	2017
	\$	\$
Interests on debentures	349 859	28 899
Interest on promissory notes	–	26 116
Interest income	(14 351)	–
Accretion on debentures	454 814	25 402
<b>Total interest expense</b>	<u>790 322</u>	<u>80 417</u>
Miscellaneous	5 586	7 657
	<u>795 908</u>	<u>88 074</u>



# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 18 - FINANCIAL INSTRUMENTS (Continued)

#### 18.5 Fair value

The following methods and assumptions were used to determine the estimated fair value for each class of financial instruments:

- The fair value of cash, term deposit, loans receivables, debtors (except sales tax receivables) accounts payable and accrued liabilities (except income tax) approximate their carrying amount, given the short-term maturity;
- The fair value of the debentures is estimated using a discounted cash flow approach and approximate their carrying amount.

The Company categorized its financial instruments based on the following three levels of inputs used for fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Debentures are level 2 under the fair value hierarchy.

### 19 - 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:

	2018	2017
	\$	\$
Salaries and fringe benefits	410 202	237 442
Share-based expenses	510 693	759 385
Management fees to a	73 283	121 275
Technical and marketing management fees paid to an affiliated company	43 680	250 000
Interests on debentures	800	10 776
Total	<u>1 038 658</u>	<u>1 378 878</u>

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 19 - RELATED PARTY TRANSACTIONS

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

As at December 31, the consolidated statement of financial position includes the following amounts with related parties:

	2018	2017
	\$	\$
Advances to an affiliated company (Note 7)	32 000	-

### 20 - 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 a specific 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.

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 20 - SEGMENT REPORTING (Continued)

#### 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

The segment information for the reporting period is as follows:

					<b>2018</b>
	Fintech Platform	Financial Services	Other	Elimination	Total
	\$	\$	\$	\$	\$
<i>Revenues (1)</i>					
Financial service	66 927	1 614 607	–	–	1 681 534
Fees/sales from external customers	–	–	–	–	–
Inter-segment	188 053	–	82 664	(270 717)	–
Total revenues	254 980	1 614 607	82 664	(270 717)	1 681 534
<i>Expenses</i>					
Depreciation and amortization	66 402	–	488 999	–	555 401
Interest expenses (income)	452	(10 103)	805 559	–	795 908
Impairment of intangible asset	–	–	471 000	–	471 000
Gain on deposit and subscription receivable	85 658	–	(287 008)	–	(201 350)
All other expenses	1 359 625	975 965	1 440 169	(270 717)	3 505 042
Total expenses	1 512 137	965 862	2 918 719	(270 717)	5 126 001
Profit (loss) before tax	(1 257 157)	648 745	(2 836 055)	–	(3 444 467)
Income tax (recovery)	–	164 453	–	–	164 453
Net profit (loss)	(1 257 157)	484 292	(2 836 055)	–	(3 608 920)
Non-controlling interest	–	243 759	–	–	243 759
Net profit (loss) attributable to owners of the parent	(1 257 157)	240 533	(2 836 055)	–	(3 852 679)
Segmented assets	4 084 702	21 194 910	16 792 655	(17 382 964)	24 689 303

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

### 20 - SEGMENT REPORTING (Continued)

#### Other (continued)

					<b>2017</b>
	Fintech Platform	Financial Services	Other	Elimination	Total
		\$	\$	\$	\$
<i>Revenues (1)</i>					
Financial services	–	–	–	–	–
Fees/sales from external customers	7 475 402	–	–	–	7 475 402
Inter-segment	–	–	80 075	(80 075)	–
Total revenues	7 475 402	–	80 075	(80 075)	7 475 402
<i>Expenses</i>					
Depreciation and amortization	77		423 425		423 502
Interest expenses (income)	4 155		83 919		88 074
All other expenses	8 816 378		1 684 134	(80 075)	10 420 437
Total expenses	8 820 610	–	2 191 477	(80 075)	10 932 012
Profit (loss) before tax	(1 345 208)	–	(2 111 402)	–	(3 456 610)
Income tax (recovery)	–	–	(380)	–	(380)
Net Profit (loss)	(1 345 208)	–	(2 111 022)	–	(3 456 230)
Non-controlling interest	–	–	–	–	–
Net profit (loss) attributable to owners of the parent	(1 345 208)	–	(2 111 022)	–	(3 456 230)
Segmented assets	3 250 262	–	17 551 929	(5 061 808)	15 740 382

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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(In Canadian dollars)

### 20 - SEGMENT REPORTING (Continued)

#### Other (continued)

The Company's non-current assets ( other than financial instruments) are located into the following geographic regions at December 31:

	2018	2017
	Non-current Assets	Non-current Assets
	\$	\$
China	808 924	182 011
Canada	882 741	1 846 011
Total	<u>1 691 665</u>	<u>2 028 022</u>

### 21 - NON-CONTROLLING INTEREST

ASFC was created during the second quarter of fiscal 2018 by a capital injection of \$20,340,000 of which \$10,373,400 was made by the company and \$9,966,600 was made by two Chinese investors. The investment made by each party represent 51% and 49% respectively. As a result of the investment by the Chinese investors, they now own an equivalent non-controlling interest in ASFC.

### 22 - CURRENCY TRANSLATION ADJUSTMENT

Currency translation adjustment reflects the currency fluctuation between the functional currency of the Company's subsidiaries in China (Renminbi) and the Company's functional currency (Canadian dollar) during the period. This element represents a theoretical profit or loss that can be materialized only if the underlying assets or liabilities to which the adjustment is attributed are realized.

### 23 - BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated using the net loss attributable to shareholders (before currency translation adjustment) and the weighted average number of outstanding shares during the period. Diluted loss per share is calculated by adjusting the weighted average number of outstanding shares, for the effects of all dilutive potential ordinary shares which include convertible debentures, options and warrants. Since the Company has incurred losses, the diluted loss per share is equal to the basic loss per share due to the antidilutive effect of convertible debentures, options and warrants.

### 24 - COMPARATIVE FIGURES

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

# Peak Positioning Technologies Inc.

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(In Canadian dollars)

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### **25 - SUBSEQUENT EVENTS**

- a) On January 1, 2019, the Company transfer 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 loans 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. 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. The conditional compensation liabilities 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 purchase price allocation is not completed.
- b) In January 2019, the Company subsidiary, Asia Synergy Credit Solution (ASCS), entered into a partnership agreement with a guarantor in Wuxi, China, whereby the guarantor will guarantee bank loans serviced by ASCS, to medium-sized enterprises for an aggregate amount up to \$CAD1 Billion
- c) In February 2019, the Company received \$250,000 as payment for a subscription receivable related to the private placement financing of units of unsecured convertible debentures and warrants closed in December 2018. The payment was outstanding due to unpredictable administrative delay to monetize previous securities held by the investor.