

# **Peak Positioning Technologies Inc.**

## **Condensed Interim Consolidated Financial Statements (Unaudited)**

**For the three and the six-month periods ended  
June 30, 2018 and 2017**

### Financial Statements

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## Peak Positioning Technologies Inc.

### Interim Consolidated Statements of Comprehensive Loss

For the three and the six-month periods ended June 30, 2018 and 2017

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

(Unaudited)

	Three-month period ended		Six-month period ended	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Revenues</b>				
Financial services revenue	224,611	-	229,758	-
Sales	-	144,823	-	7,469,822
Total revenue	224,611	144,823	229,758	7,469,822
<b>Expenses</b>				
Cost of materials	-	144,104	-	7,432,747
Salaries and fringe benefits and subcontracting	240,973	125,714	446,519	282,482
Board remuneration	35,311	36,513	66,706	48,947
Sales taxes and additions	8,530	4,649	8,530	4,778
Consulting fees	123,360	203,707	203,671	317,913
Management fees to officers and directors	45,023	77,475	110,010	90,795
Professional fees	65,024	111,082	138,724	210,106
Public relations	149,585	15,081	244,718	52,628
Rental expenses	(2,766)	8,544	17,025	22,704
Office supplies, software and utilities	23,138	10,031	29,320	21,784
Telecommunications	754	3,037	1,051	3,879
Insurance	3,425	2,070	9,881	12,485
Finance costs (note 12)	189,899	6,444	417,645	36,560
Network fees and websites	1,500	1,500	8,000	3,000
Interface development cost	17,553	-	17,553	-
Travel and entertainment	41,877	95,008	104,883	118,829
Transfer agent costs	7,032	3,046	13,918	6,391
Press releases	7,695	-	9,407	-
Stock exchange costs	19,967	6,061	25,467	7,894
Other	7,108	608	8,548	743
Depreciation of property and equipment	883	21	903	40
Amortization of intangible assets -	133,010	191,912	265,844	383,825
Amortization of initial costs	3,275	-	20,934	-
Loss (gain) on foreign exchange	7,292	(460)	21,105	(1,567)
	1,129,448	1,046,147	2,190,362	9,056,965
Loss before income tax	(904,837)	(901,324)	(1,960,604)	(1,587,143)
Income tax (recoverable)	67,058	-	67,058	(380)
Net loss	(971,895)	(901,324)	(2,027,662)	(1,586,763)
Net loss attributable to:				
Non-controlling interest (Note 15)	74,731	-	74,731	-
Owners of the parent	(1,046,626)	(901,324)	(2,102,393)	(1,586,763)
	(971,895)	(901,324)	(2,027,662)	(1,586,763)
<b>Item that will be reclassified subsequently to profit or loss</b>				
Currency Translation adjustment	(4,161)	82,946	90,795	106,659
<b>Net loss and total comprehensive loss</b>	<b>(967,734)</b>	<b>(984,270)</b>	<b>(2,118,457)</b>	<b>(1,693,422)</b>
<b>Net loss and total comprehensive loss attributable to:</b>				
Non-controlling interest	69,768	-	69,768	-
Owners of the parent	(1,037,502)	(984,270)	(2,188,225)	(1,693,422)
	(967,734)	(984,270)	(2,118,457)	(1,693,422)
Weighted average number of outstanding shares	660,781,033	443,116,670	654,082,258	433,122,487
Basic and diluted loss per share	(0.001)	(0.002)	(0.003)	(0.004)

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

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

For the six month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

	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 (deficiency)
	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
Reclassification other comprehensive income					(129,906)	129,906			–
Other comprehensive loss attributable to minority interest									
Issuance of shares	5,400,000	375,000	65,658				440,658		440,658
Exercise of warrants	31,000,000	1,560,943	(355,755)				1,205,188		1,205,188
Issuance costs	2,100,000	(85,658)					(85,658)		(85,658)
Non-controlling interest (Note 15)								9,746,100	9,746,100
Share-based compensation			279,321				279,321		279,321
Transactions with owners	668,159,055	22,401,158	7,466,987		90,575	(16,932,194)	13,026,526	9,746,100	22,772,626
Net loss						(2,102,393)	(2,102,393)	74,731	(2,027,662)
Other comprehensive loss					(90,795)		(90,795)	(4,963)	(95,758)
Total comprehensive loss for the year	–	–	–	–	(90,795)	(2,102,393)	(2,193,188)	69,768	(2,123,419)
<b>Balance as of June 30, 2018</b>	<b>668,159,055</b>	<b>22,401,158</b>	<b>7,466,987</b>		<b>(220)</b>	<b>(19,034,587)</b>	<b>10,833,338</b>	<b>9,815,868</b>	<b>20,649,206</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	1,533,666	230,050					230,050		230,050
Exercise of warrants	22,308,150	697,867	(115,163)				582,704		582,704
Exercise of options	1,050,000	97,500					97,500		97,500
Conversion of convertible debentures	5,002,760	407,181		(157,110)			250,071		250,071
Issuance costs		(18,504)					(18,504)		(18,504)
Issuances of warrants ( Note 8)		(615,094)	615,094						
Share-based compensation			239,527				239,527		239,527
Transactions with owners	449,813,140	12,375,483	4,830,582		(598)	(13,474,095)	3,731,372		3,731,372
Net loss						(1,586,762)	(1,586,762)		(1,586,762)
Other comprehensive loss					(106,659)		(106,659)		(106,659)
Total comprehensive loss for the year	–	–	–	–	(106,659)	(1,586,762)	(1,693,421)		(1,693,421)
<b>Balance as of June 30, 2017</b>	<b>449,813,140</b>	<b>12,375,483</b>	<b>4,830,582</b>		<b>(107,257)</b>	<b>(15,060,857)</b>	<b>2,037,951</b>		<b>2,037,951</b>

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

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

For the three and the six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(971,895)	(901,324)	(2,027,662)	(1,586,762)
Non-cash items				
Depreciation of property and equipment	883	21	903	40
Amortization of intangible assets - technology platform	133,010	191,912	265,844	383,825
Share-based compensation	156,401	170,817	279,321	239,527
Accretion of debentures	119,198	–	256,637	2,578
Loans maturing in more than 12 months (Note 4)	(9,955,826)		(9,955,826)	
Interest charges	90,678	4,475	192,759	31,935
Interest paid	(90,678)	(25,774)	(172,945)	(39,935)
Net changes in working capital items				
Debtors	187,552	70,453	112,792	(261,867)
Loan maturing in less than 12 months (Note 4)	(10,140,494)		(10,140,494)	
Advance from a shareholders (Notes 7 and 16)	4,104,791		4,104,791	
Prepaid expenses	(17,905)	18,377	(206,579)	423,879
Accounts payable and accrued liabilities	77,869	92,327	40,161	177,268
other current financial liabilities		(35,979)	–	(40,907)
Cash flows from operating activities	(16,306,416)	(414,695)	(17,250,298)	(670,419)
<b>INVESTING ACTIVITIES</b>				
Term deposit	–	–	1,200,000	–
Debtors	4,136,474	–	(248,098)	–
Property and equipment	(13,613)	–	(13,613)	–
Cash flows from investing activities	4,122,861	–	938,289	–
<b>FINANCING ACTIVITIES</b>				
Subscription receivable	6,000,000	–	6,000,000	–
Non-controlling interest (Note 15)	9,815,868	–	9,815,868	–
Debenture subscription received	–	–	3,000,000	–
Debenture repayment	–	(73,000)	–	(73,000)
Conversion of debenture	–	(250,069)	–	(250,069)
Issuance costs	–	(18,504)	–	(18,504)
Issuance of shares	–	591,503	230,000	1,160,392
Cash flows from financing activities	15,815,868	249,930	19,045,868	818,819
<b>IMPACT OF FOREIGN EXCHANGE</b>	(70,569)	(131,634)	(165,527)	(106,726)
<b>Net increase in cash</b>	3,561,744	(296,399)	2,568,332	41,674
Cash, beginning of period	1,478,272	497,535	2,471,683	159,462
Cash, end of period	5,040,016	201,136	5,040,015	201,136

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

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

June 30, 2018 and December 31, 2017

(In Canadian dollars)

(Unaudited)

	<u>2018-06-30</u>	<u>2017-12-31</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash	5,040,016	2,471,683
Term deposit, 0,90%	–	1,200,000
Loans maturing in less than 12 months ( Note 4)	10,140,494	–
Debtors (Note 5)	808,593	9,465,760
Prepaid expenses	415,726	279,370
Deferred financing cost	295,547	295,547
	<u>16,700,376</u>	<u>13,712,360</u>
Loans maturing in more than 12 months ( Note 4)	9,955,826	–
Property and equipment	13,019	309
Intangible assets - Technology platforms (Note 6)	1,761,869	2,027,713
	–	–
	<u><u>28,431,090</u></u>	<u><u>15,740,382</u></u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	4,466,522	289,452
	<u>4,466,522</u>	<u>289,452</u>
Debentures (Note 8)	3,315,362	4,263,913
	<u>7,781,884</u>	<u>4,553,365</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Capital stock	22,401,158	20,550,873
Contributed surplus	7,466,987	7,477,763
Accumulated other comprehensive income	(220)	220,481
Deficit	<u>(19,034,587)</u>	<u>(17,062,100)</u>
Shareholders deficiency attributable to owners of the parent	<u>10,833,338</u>	<u>11,187,017</u>
Non-controlling interest(Note 15)	9,815,868	–
Total equity	<u>20,649,206</u>	<u>11,187,017</u>
	<u><u>28,431,090</u></u>	<u><u>15,740,382</u></u>

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

On behalf of the Board,

/S/ Johnson Joseph  
 Director

/S/ Laval Bolduc  
 Director

# Peak Positioning Technologies Inc.

## Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

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

The level of revenue currently being generated is not presently sufficient to meet the working capital requirements. The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Also, the Company incurred a net loss of \$2,118,457 for the six-month period ended June 30, 2018 (\$1,693,422 for 2017), it has an accumulated deficit of \$19,034,587 as at June 30, 2018 (\$17,062,100 as at December 31, 2017) and it has not yet generated positive cash flows from operations. These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

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

## **Peak Positioning Technologies Inc.**

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

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

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#### **3 -SIGNIFICANT ACCOUNTING POLICIES**

##### **3.1 Basis of presentation**

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 5 of the Company's consolidated financial statements for the year ended December 31, 2017. There has not been any significant change in judgments, estimates or assumptions since then. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2017, except as described below in the Changes in accounting policies section.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's unaudited condensed interim financial statements.

The interim consolidated financial statements for the three and six-month periods ended June 30, 2018 (including comparative figures) were approved by the Board of Directors on August 16, 2018.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

#### 3.2 Principle of consolidation

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

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

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

<b>Entities</b>	<b>Registered</b>	<b>% of ownership and voting right</b>	<b>Principal activity</b>	<b>Functional Currency</b>
Peak Positioning Technologies Inc.	Canada		Holding and parent company	Canadian dollar
Asia Synergy Limited	Hong Kong	100%	Holding	Hong Kong dollar
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
Wuxi Aorong Ltd.	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd	China	51%	Financial institution	Renminbi



## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

#### 3.3 Changes in accounting policies

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.

##### 3.3.1 *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 Company's interim consolidated financial statements and the new accounting policy was defined as follows:

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, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the financial liability.

##### **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.

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

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

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mentioned are measured at fair value through profit or loss.

#### **3.3.1 Financial Instruments (IFRS 9)(continued)**

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

The company financial assets comprise cash, term deposits, loans, debtors, and deferred financing cost are measured at amortized cost.

The company will assess the impairment of its loan and debtors using the expected credit loss model which requires a loss allowance to be recognized based on expected credit losses.

Loans (see note 4 below) are classified as " Hold to collect" business model following the fact that the primary objective of the company is to hold these financial assets in order to collect contractual cash flows from them and not to sell them. Financial assets classified in that business model falls into amortized cost categories.

#### **Financial liabilities**

The company's liabilities include accounts payable and accrued liabilities and debentures. Accounts payable and accrued liabilities are measured at amortized cost.

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.

## **Peak Positioning Technologies Inc.**

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

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

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#### **3.3.2 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 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 interim consolidated financial statements.

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 of the 2017 audited annual financial statements, as the condition is generally satisfied when title transfers to the customers in the case of sales of raw materials.

#### **3.3.3 Segment reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the Chairman and the Board of directors.

The Company has determined that there was one operating segment, being the sector of providing product procurement and financial services through its own technology platforms and at times acting as an intermediary, through one subsidiary, in the transactions facilitated through the platforms, while providing various financial services, through another subsidiary, on the platforms.

#### **3.4 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.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

#### 3.4.1 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; sets 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. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

#### 4 -Loans

In May 2018 the Company established a licensed financial services subsidiaries 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 10% calculated on their face value and have maturities of 12 to 24 months.

Loans receivables are described as follows:

	<u>2018-06-30</u>	<u>2017-12-31</u>
Loans maturing in less than 12 months	10,140,494	–
Loans maturing in more than 12 months	<u>9,955,826</u>	<u>–</u>
Total loans	<u><u>20,096,320</u></u>	<u><u>–</u></u>

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

#### 5 - DEBTORS

	2018-06-30	2017-12-31
	\$	\$
Sales tax receivable	188,672	93,938
Advances to a company, 1.5% to 1.65%	619,921	371,822
Subscription received/receivable	–	9,000,000
	<u>808,593</u>	<u>9,465,760</u>

#### 6 - INTANGIBLE ASSETS - TECHNOLOGY PLATFORMS

	Gold River \$	Cubeler Interface \$	Total \$
<b>Gross carrying amount</b>			
Balance as at January 1, 2018	2,461,348	181,702	2,643,050
Acquisition	–	–	–
Balance as at June 30, 2018	<u>2,461,348</u>	<u>181,702</u>	<u>2,643,050</u>
<b>Accumulated amortization</b>			
Balance as at January 1, 2018	615,337	–	615,337
Amortization	246,135	19,709	265,844
Balance as at June 30, 2018	<u>861,472</u>	<u>19,709</u>	<u>881,181</u>
Net carrying amount as at June 30, 2018	<u>1,599,876</u>	<u>161,993</u>	<u>1,761,869</u>
Acquisition	–	181,702	181,702
Reversal of trade payable (a)	(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) As the 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 Interim Consolidated Financial Statements

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(Unaudited)

#### 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018-06-30	2017-12-31
	\$	\$
Advance from a shareholder (Note 15)	4,104,791	–
Sales tax	137,304	–
Company held by an officer and a director	–	32,827
Trade accounts payable and accruals	224,427	256,625
	<u>4,466,522</u>	<u>289,452</u>

#### 8 - 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.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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#### 8 - DEBENTURES (Continued)

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

	<u>2018-06-30</u>	<u>2017-12-31</u>
	\$	\$
Balance, beginning of year	4,263,913	–
Addition	–	12,000,000
Accretion of debentures	235,703	22,833
Equity component of debentures	–	(2,721,260)
Surrendering of debentures for exercise of warrants (a)	(1,184,254)	(4,764,068)
Issuance cost (b)	–	(273,592)
Balance, end of year	<u>3,315,362</u>	<u>4,263,913</u>

- a) 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 six-months of 2018, 31,000,000 warrants was exercised at a price of \$0.05 following surrendering of debenture for a total face value of \$1,550,000.

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

## Peak Positioning Technologies Inc.

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#### 9 - SHAREHOLDERS' EQUITY

##### 9.1 Authorized share capital

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

##### 9.2 Descriptions of the shareholders equity operations

- a) 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 cash 8% finder's fees for a total of \$20,000.
- b) In January 2018, the Company issued 1,500,000 common shares as a finder's fee to eligible persons related to a series of private placements conducted in the last quarter of 2017 and January
- c) Between January 1, 2018 and June 30, 2018, \$1,550,000 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 31,000,000 common shares at a price of \$0.05 per share to the debenture holders. A corresponding residual value of \$128,983 attributed to warrants was transferred to capital stock.
- d) 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.
- e) 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

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



## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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#### 9.3 Warrants

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

	2018-06-30		2017-12-31	
	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	2,900,000	0.100	73,773,692	0.068
Expired	—	—	—	—
Exercised	<u>(31,000,000)</u>	0.050	<u>(160,298,100)</u>	0.045
Outstanding and exercisable, end of period	<u>116,673,692</u>	0.062	<u>144,773,692</u>	0.059

As of June 30, 2018 and December 31, 2017, the number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

	2018-06-30		2017-12-31	
	Number	Exercise price	Number	Exercise price
		\$		\$
Expiration date				
March 2019	1,640,359	0.200	1,640,359	0.200
December 2019	89,000,000	0.050	120,000,000	0.050
May 2020	2,900,000	0.100	—	—
June 2022	14,000,000	0.120	14,000,000	0.120
June 2022	3,333,333	0.061	3,333,333	0.061
June 2022	5,800,000	0.057	5,800,000	0.057
	<u>116,673,692</u>		<u>144,773,692</u>	

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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#### 10 - 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.

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

	2018-06-30		2017-12-31	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise price		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	(250,000)	0.100	(975,000)	0.100
Exercised	—	—	(1,050,000)	0.100
Outstanding end of period	<u>43,120,000</u>	0.073	<u>35,695,000</u>	0.078
Exercisable end of period	<u>19,945,000</u>	0.068	<u>17,760,000</u>	0.063

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

for the three and six-month periods ended June 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

#### 10 - SHARE-BASED PAYMENTS (continued)

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

Range of exercise price	Number of options	Weighted average remaining contractual life (years)
\$		
0.050	1,220,000	2 months
0.050	6,900,000	1 years and 11 months
0.050	500,000	2 years and 3 months
0.050	2,500,000	2 years and 6 months
0.050	150,000	2 years and 11 months
0.085	10,500,000	3 years and 1 months
0.105	8,300,000	4 years
0.080	5,000,000	4 years and 6 months
0.055	375,000	4 years and 5 months
0.050	100,000	4 years and 10 months
0.050	7,275,000	5 years
0.100	300,000	5 years
	<u>43,120,000</u>	

The Company has recorded an expense of \$156,401 in the second quarter of 2018 (\$170,817 in Q2-2017) as stock-based compensation. The offset was credited to contributed surplus.

a) 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

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.

## Peak Positioning Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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(Unaudited)

#### 10 - SHARE-BASED PAYMENTS (continued)

b) 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.

The fair value of the options granted to certain directors and employees amounted to \$298,249 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	2.23%
Volatility	152%
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.

c) 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.

d) 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 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 \$20,300 and was determined by management by comparing with similar services on the market.

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

for the three and six-month periods ended June 30, 2018 and 2017

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**11 - 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.

**12 - Finance costs**

	2018-06-30 ( 3 Months)	2017-06-30 ( 3 Months)	2018-06-30 ( 6 Months)	2017-06-30 ( 6 Months)
Interests on debentures	90,678	4,475	192,759	10,152
Interest on promissory notes	–	–	–	21,783
Interest income	(9,058)	–	(11,514)	–
Accretion on debentures	109,744	–	235,703	2,578
<b>Total interest expense</b>	<u>191,364</u>	<u>4,475</u>	<u>416,948</u>	<u>34,513</u>
Miscellaneous	(1,465)	1,969	697	2,047
	<u>189,899</u>	<u>6,444</u>	<u>417,645</u>	<u>36,560</u>

**13 - 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:

	2018-06-30 ( 3 Months)	2017-06-30 ( 3 Months)	2018-06-30 ( 6 Months)	2017-06-30 ( 6 Months)
	\$	\$	\$	\$
Salaries and fringe benefits	95,513	53,349	192,606	113,807
Share-based expenses	143,079	185,843	266,000	254,554
Management fees to a company held by a director	18,675	42,225	54,008	48,300
Technical and marketing management fees to a related company	–	120,000	43,680	120,000
Interests on promissory notes and debentures	200	4,475	400	9,085
<b>Total</b>	<u>257,467</u>	<u>405,892</u>	<u>556,694</u>	<u>545,746</u>

## Peak Positioning Technologies Inc.

### Notes to Consolidated Financial Statements

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#### 14 - SEGMENT REPORTING

Management currently identifies one service line as its operating segment (Note 3.3.3).

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas as at June 30:

	2,018		2017	
	Revenue	Non-current Assets	Revenue	Non-current Assets
	\$	\$	\$	\$
China	229,758	10,130,837	7,469,822	182,011
Canada	–	1,599,877	–	1,846,011
Total	<u>229,758</u>	<u>11,730,714</u>	<u>7,469,822</u>	<u>2,028,022</u>

Revenues from external customers have been identified on the basis of the customers' geographical location. Non-current assets are allocated based on their physical location.

#### 15 - NON-CONTROLLING INTEREST

ASFC was created during the second quarter of Fiscal 2018 by a capital injection of \$19,890,000 of which \$10,143,900 was made by the company and \$9,746,100 was made by two Chinese investors. The investments made by the Company and the two Chinese investors represent 51% and 49% respectively. As a result of the investment by the Chinese investors, they now own an equivalent non-controlling interest.

#### 16 - SUBSEQUENT EVENTS

As per the agreement for the creation of ASFC, the shareholder advance of \$4,104,791 was completely repaid in July 2018.

In July 2018, the Company issued 1,500,000 common shares to settle \$77,000 of debt related to consulting services received by the Company.

#### 17 - COMPARATIVE FIGURES

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