Peak Positioning Technologies Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and the nine-month periods ended September 30, 2018 and 2017

Financial Statements

Peak Positioning Technologies Inc.

Interim Consolidated Statements of Comprehensive Loss

For the three and the nine-month periods ended September 30, 2018 and 2017

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

(Unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Revenues				
Financial services revenue	709,739	-	939,496	-
Sales	-	3,968	-	7,473,790
Total revenue	709,739	3,968	939,496	7,473,790
Expenses				
Cost of materials	-	-	-	7,432,747
Salaries and fringe benefits	220,620	203,827	667,139	489,472
Service fees	144,049	-	144,049	-
Board remuneration	35,521	66,183	102,227	111,966
Sales taxes and additions	2,269	(200)	10,798	4,578
Consulting fees	132,501	221,665	336,172	539,578
Management fees	55,526	82,746	165,536	173,541
Administrative and indirect cost	89,623	-	89,623	-
Professional fees	50,507	32,156	189,233	242,262
Public relations	80,137	50,367	324,854	102,994
Rental expenses	13,693	73,331	30,717	96,035
Office supplies, software and utilities	34,372	67,297	63,692	89,081
Telecommunications	404	599	1,456	4,478
Insurance	7,354	28,857	17,235	41,342
Finance costs (note 12)	188,428	1,581	606,074	36,581
Network fees and websites	1,500	1,500	9,500	4,500
Interface development cost	(657)	54,699	16,896	54,699
Travel and entertainment	68,169	30,580	173,052	149,409
Transfer agent costs	11,783	12,542	25,701	18,934
Press releases	5,097	-	14,504	-
Stock exchange costs	2,627	17,800	28,094	25,694
Translation cost & other	8,722	178	17,270	382
Depreciation of property and equipment	2,182	28	3,085	67
Amortization of intangible assets -	132,494	191,912	398,339	575,737
Amortization of initial costs	8,223	-	29,157	-
Loss (gain) on foreign exchange	(18,525)	-	2,579	-
	1,276,619	1,137,647	3,466,980	10,194,079
Loss before income tax	(566,880)	(1,133,680)	(2,527,484)	(2,720,289)
Income tax (recoverable)	58,818	-	125,876	(380)
Net loss	(625,698)	(1,133,680)	(2,653,359)	(2,719,909)
Net (loss) profit attributable to:				
Non-controlling interest (Note 15)	144,324	-	219,055	-
Owners of the parent	(770,022)	(1,133,680)	(2,872,414)	(2,719,909)
	(625,698)	(1,133,680)	(2,653,359)	(2,719,909)
Item that will be reclassified subsequently to profit or lost				
Currency Translation adjustment (Note 16)	603,256	(250,333)	694,051	(143,076)
Net loss and total comprehensive loss	(1,228,954)	(883,346)	(3,347,410)	(2,576,833)
Net loss and total comprehensive loss attributable to:				
Non-controlling interest	138,464	-	208,232	-
Owners of the parent	(1,367,418)	(883,346)	(3,555,642)	(2,576,833)
	(1,228,954)	(883,346)	(3,347,410)	(2,576,833)
Weighted average number of outstanding shares	671,467,354	454,669,244	658,826,087	440,432,035
Basic and diluted loss per share (Note 17)	(0.001)	(0.002)	(0.004)	(0.006)

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

Peak Positioning Technologies Inc.
Interim Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30, 2018 and 2017
(In Canadian dollars)
(Unaudited)

	Capital stock								
	Number of common shares	Amount	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)
	#	$	$	$	$	$	$	$	$
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	7,383,080	471,654	65,658				537,312		537,312
Exercise of warrants	36,000,000	1,822,804	(412,448)				1,410,356		1,410,356
Issuance costs	2,100,000	(85,658)					(85,658)		(85,658)
Non-controlling interest (Note 15)								9,746,100	9,746,100
Share-based compensation			435,602				435,602		435,602
Transactions with owners	675,142,135	22,759,673	7,566,575		90,575	(16,932,194)	13,484,629	9,746,100	23,230,729
Net loss						(2,872,414)	(2,872,414)	219,055	(2,653,359)
Other comprehensive loss					(694,051)		(694,051)	(525,322)	(1,219,373)
Total comprehensive loss for the year	–	–	–	–	(694,051)	(2,872,414)	(3,566,465)	(306,267)	(3,872,732)
Balance as of September 30, 2018	**675,142,135**	**22,759,673**	**7,566,575**		**(603,475)**	**(19,804,608)**	**9,918,165**	**9,439,833**	**19,357,997**
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	13,666,999	905,164					905,164		905,164
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
Debt settlement	1,372,632	90,846							
Issuance costs		(109,320)					(109,320)		(109,320)
Issuances of warrants (Note 8)		(870,107)	870,107						
Share-based compensation			497,179				497,179		497,179
Transactions with owners	463,319,105	12,795,614	5,343,247		(598)	(13,474,095)	4,664,168		4,664,168
Net loss						(2,719,909)	(2,719,909)		(2,719,909)
Other comprehensive loss					143,674		143,674		143,674
Total comprehensive loss for the year	–	–	–	–	143,674	(2,719,909)	(2,576,235)		(2,576,235)
Balance as of September 30, 2017	**463,319,105**	**12,795,614**	**5,343,247**		**143,076**	**(16,194,004)**	**2,087,932**		**2,087,932**

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 nine-month periods ended September 30, 2018 and 2017
(In Canadian dollars)
(Unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30	
	2018	2017	2018	2017
	$	$	$	$
OPERATING ACTIVITIES				
Net loss	(625,698)	(1,133,680)	(2,653,359)	(2,719,909)
Non-cash items				
Depreciation of property and equipment	2,182	27	3,085	67
Amortization of intangible assets - technology platform	132,494	191,912	398,339	575,737
Share-based compensation	156,281	257,652	435,602	497,179
Accretion of debentures	116,311	–	372,948	2,578
Loans maturing in more than 12 months (Note 4)	(1,158,911)	–	(11,156,092)	–
Interest charges	80,333	1,872	273,092	33,767
Interest paid	(80,333)	(1,872)	(253,278)	(41,767)
Net changes in working capital items				
Debtors	63,847	102,576	176,636	(159,291)
Loan maturing in less than 12 months (Note 4)	1,367,177	–	(8,859,988)	–
Advance from a shareholders (Notes 7)	(4,104,791)	–	–	–
Prepaid expenses	135,691	(140,243)	(70,888)	283,636
Accounts payable and accrued liabilities	641,028	(189,594)	681,191	(12,858)
other current financial liabilities		(110,478)	–	(151,385)
Cash flows from operating activities	(3,274,389)	(1,021,828)	(20,652,712)	(1,692,247)
INVESTING ACTIVITIES				
Term deposit	–	–	1,200,000	–
Debtors	12,499	–	(235,599)	–
Property and equipment	(352,521)	–	(366,134)	–
Cash flows from investing activities	(340,022)	–	598,267	–
FINANCING ACTIVITIES				
Subscription receivable	–	–	6,000,000	–
Non-controlling interest (Note 15)	(376,036)		9,439,832	
Debenture subscription received	–	–	3,000,000	–
Debenture repayment		–	–	(73,000)
Conversion of debenture	–	–	–	(250,069)
Issuance costs		(90,816)	–	(109,320)
Issuance of shares	–	765,893	230,000	1,926,285
Cash flows from financing activities	(376,036)	675,077	18,669,831	1,493,896
IMPACT OF FOREIGN EXCHANGE	(659)	250,400	(38,160)	143,674
Net increase in cash	(3,991,106)	(96,351)	(1,422,773)	(54,677)
Cash, beginning of period	5,040,016	201,136	2,471,683	159,462
Cash, end of period	1,048,910	104,785	1,048,910	104,785

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

Peak Positioning Technologies Inc.
Interim Consolidated Statements of Financial Position
September 30, 2018 and December 31, 2017
(In Canadian dollars)
(Unaudited)

	2018-09-30	2017-12-31
	$	$
ASSETS		
Current		
Cash	1,048,910	2,471,683
Term deposit, 0,90%	–	1,200,000
Loans maturing in less than 12 months (Note 4)	8,448,901	–
Debtors (Note 5)	695,091	9,465,760
Prepaid expenses	350,258	279,370
Deferred financing cost	295,547	295,547
	10,838,707	13,712,360
Loans maturing in more than 12 months (Note 4)	10,692,234	–
Property and equipment	75,680	309
Intangible assets - Technology platforms (Note 6)	1,917,052	2,027,713
	–	–
	23,523,673	15,740,382
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	939,171	289,452
	939,171	289,452
Debentures (Note 8)	3,226,505	4,263,913
	4,165,676	4,553,365
SHAREHOLDERS' EQUITY		
Capital stock	22,759,673	20,550,873
Contributed surplus	7,566,575	7,477,763
Accumulated other comprehensive income	(603,476)	220,481
Deficit	(19,804,608)	(17,062,100)
Shareholders equity attributable to owners of the parent	9,918,164	11,187,017
Non-controlling interest (Note 15)	9,439,833	–
Total shareholders' equity	19,357,997	11,187,017
	23,523,673	15,740,382

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

On behalf of the Board,

/S/ Johnson Joseph
Director

/S/ Laval Bolduc
Director

Peak Positioning Technologies Inc.

Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

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 and total comprehensive loss of $3,347,410 for the nine-month period ended September 30, 2018 ($2,576,833 for 2017), it has an accumulated deficit of $19,804,608 as at September 30, 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 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.

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 nine-month periods ended September 30, 2018 (including comparative figures) were approved by the Board of Directors on November 16, 2018.

Peak Positioning Technologies Inc.

Notes to Interim Consolidated Financial Statements
For the three and the nine-month periods ended September 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:

Entities	**Registered**	**% of ownership and voting right**	**Principal activity**	**Functional Currency**
Peak Positioning Technologies Inc.	Canada		Holding and parent company	Canadian dollar
Asia Synergy Limited	Hong Kong	100%	Holding	Renminbi
Asia Synergy Holdings	China	100%	Holding	Renminbi
Asia Synergy Technologies Ltd.	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Data Solutions Ltd.	China	100%	Fintech	Renminbi
Wuxi Aorong Ltd.	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd	China	51%	Financial institution	Renminbi

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 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's financial assets comprised of 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.

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.

(In Canadian dollars)

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 15.4% during the last quarter calculated on their face value and have an average maturity of 15.6 months for the same period.

Loans receivables are described as follows:

	2018-09-30	2017-12-31
Loans maturing in less than 12 months	8,448,901	–
Loans maturing in more than 12 months	10,692,234	–
Total loans	19,141,135	–

Peak Positioning Technologies Inc.

Notes to Interim Consolidated Financial Statements

For the three and the nine-month periods ended September 30, 2018 and 2017
(In Canadian dollars)
(Unaudited)

5 - DEBTORS

	2018-09-30	2017-12-31
	$	$
Sales tax receivable	87,670	93,938
Advances to a company, 1.5% to 1.65% per month	607,421	371,822
Subscription received/receivable	–	9,000,000
	695,091	9,465,760

6 - INTANGIBLE ASSETS - TECHNOLOGY PLATFORMS

	Gold River	Cubeler/Fintech	Total
	$	$	$
Gross carrying amount			
Balance as at January 1,2018	2,461,348	181,702	2,643,050
Acquisition	–	287,678	287,678
Balance as at September 30, 2018	2,461,348	469,380	2,930,728
Accumulated amortization			
Balance as at January 1,2018	615,337	–	615,337
Amortization	369,202	29,137	398,339
Balance as at September 30, 2018	984,539	29,137	1,013,676
Net carrying amount as at September 30, 2018	1,476,809	440,243	1,917,052
Gross carrying amount			
Balance as at January 1, 2017	3,838,248	–	3,838,248
Acquisition	–	181,702	181,702
Reversal of trade payable (a)	(1,376,900)	–	(1,376,900)
Balance as at December 31, 2017	2,461,348	181,702	2,643,050
Accumulated amortization			
Balance as at January 1, 2017	191,912	–	191,912
Amortization	423,425	–	423,425
Balance as at December 31, 2017	615,337	–	615,337
Net carrying amount as at December 31, 2017	1,846,011	181,702	2,027,713

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

For the three and the nine-month periods ended September 30, 2018 and 2017

(In Canadian dollars)

(Unaudited)

7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018-09-30	2017-12-31
	$	$
Advance from a shareholder (i)	–	–
Income tax	183,704	–
Company held by an officer and a director	–	32,827
Trade accounts payable and accruals	755,467	256,625
	939,171	289,452

Note (i): As per the agreement for the creation of ASFC, a shareholder advance of $4,104,791 was completely repaid in July 2018.

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.

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8 - DEBENTURES (Continued)

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

	2018-09-30	2017-12-31
	$	$
Balance at the beginning	4,263,913	–
Addition	–	12,000,000
Accretion of debentures	343,791	22,833
Equity component of debentures	–	(2,721,260)
Surrendering of debentures for exercise of warrants (a)	(1,381,199)	(4,764,068)
Issuance cost (b)	–	(273,592)
Balance at the end	3,226,505	4,263,913

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 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.

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

(In Canadian dollars)

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 a cash finder's fees representing 8% of the value of the private placement 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 2018.

c) Between January 1, 2018 and September 30, 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.

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 issuance.

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

f) 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.

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9.3 Warrants

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

	2018-09-30		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	(36,000,000)	0.050	(160,298,100)	0.045
Outstanding and exercisable, end of period	111,673,692	0.063	144,773,692	0.059

As of September 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:

	2018-09-30		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	84,000,000	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
	111,673,692		144,773,692	

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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 :

	2018-09-30		2017-12-31	
	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	24,268,750	0.072	17,760,000	0.063

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10 - SHARE-BASED PAYMENTS (continued)

The table below summarizes the information related to outstanding share options as at September 30, 2018

Range of exercise price	Number of options	Weighted average remaining contractual life (years)
$		
0.050	6,900,000	1 years and 8 months
0.050	500,000	2 years
0.050	2,500,000	2 years and 3 months
0.050	150,000	2 years and 8 months
0.085	10,500,000	2 years and 10 months
0.105	8,300,000	3 years and 9 months
0.055	375,000	4 years and 2 months
0.080	5,000,000	4 years and 3 months
0.050	100,000	4 years and 7 months
0.050	7,275,000	4 years and 9 months
0.100	300,000	4 years and 9 months
	41,900,000	

The Company has recorded an expense of $156,281 in the third quarter of 2018 ($257,654 in Q3-2017) as stock-based compensation. The offset was credited to contributed surplus.

For the first nine-months of 2018, the company recorded an expenses of $435,602 ($497,181 in 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 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.

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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.

(In Canadian dollars)

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

	2018-09-30 (3 Months)	2017-09-30 (3 Months)	2018-09-30 (9 Months)	2017-09-30 (9 Months)
Interests on debentures	80,333	–	273,092	9,085
Interest on promissory notes	–	1,825	–	24,675
Interest income	(2,107)	–	(13,621)	–
Accretion on debentures	108,088	–	343,791	2,578
Total interest expense	186,314	1,825	603,262	36,338
Miscellaneous	2,114	(244)	2,812	243
	188,428	1,581	606,074	36,581

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:

	2018-09-30 (3 Months)	2017-09-30 (3 Months)	2018-09-30 (9 Months)	2017-09-30 (9 Months)
	$	$	$	$
Salaries and fringe benefits	92,039	62,422	284,645	176,485
Share-based expenses	142,581	252,267	408,580	506,545
Management fees to a company held by a director	7,250	36,525	61,258	85,950
Technical and marketing management fees to a related company	–	90,000	43,680	210,000
Interests on promissory notes and debentures	200	1,825	600	10,776
Total	242,070	443,039	798,763	989,756

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 September 30:

	2,018		2017	
	Revenue	Non-current Assets	Revenue	Non-current Assets
	$	$	$	$
China	709,739	11,208,157	7,473,790	319
Canada	–	1,476,809	–	3,070,598
Total	709,739	12,684,966	7,473,790	3,070,917

Revenues from external customers have been identified on the basis of the customer's 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 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.

16 - 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.

17 - 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.

18 - COMPARATIVE FIGURES

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