

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	---
Target Price (C\$)	\$0.20	---
Revenue 2019E (M)	\$12.1	---
Adj. EBITDA 2019E (M)	\$0.3	---
Adj. EPS 2019 (M)	\$0.00	---

MARKET DATA

Date:	Mar 4, 2020
Current Price (C\$):	\$0.04
Target Price (C\$):	\$0.20
52-Week Range:	\$0.02 / \$0.065
Shares O/S (M):	729.6
Mkt Cap (C\$M):	\$29.2
EV (C\$M):	\$42.7
Avg. Weekly Vol. (M):	0.94

Website: www.peakpositioning.com

FINANCIALS

	2018A	2019E
Revenue (\$M)	\$1.7	\$12.1
EBITDA (\$M)	-\$2.5	\$0.3
EPS (\$)	-\$0.01	\$0.00
Cash (\$M)	\$2.0	\$7.5
Current Assets (\$M)	\$13.2	\$21.9
Net Cash (\$M)	-\$1.3	-\$14.8
Total Assets (\$M)	\$24.7	\$33.3
Debt (\$M)	\$3.7	\$3.7
Total Liabilities (\$M)	\$5.2	\$15.8
Fiscal Year End:	31-Dec	

Source: Company Reports, S&P Capital IQ, Yahoo!Finance, eResearch Corp.

Chris Thompson, CFA, MBA, P.Eng.
Director of Equity Research

Peak Positioning Technologies Inc. (CNSX:PKK)

Gateway to China's FinTech Commercial Lending Industry

COMPANY DESCRIPTION:

Peak Positioning Technologies Inc. ("Peak" or "the Company") is the parent company of a group of financial technology ("FinTech") subsidiaries operating in China's commercial lending industry. Peak thereby provides an investment vehicle for North American investors looking to participate in China's FinTech industry. In China, Peak's subsidiaries use technology, analytics, and artificial intelligence ("AI") to provide loans, help small and medium enterprises ("SMEs") obtain loans, help lenders find clients, and also minimize lending risk. Peak accomplishes this through an ecosystem of lenders, borrowers, loan brokers, and other participants that have come together around its Cubeler Lending Hub platform to improve the efficiency and transparency of loan generation.

INVESTMENT HIGHLIGHTS:

- Over the past three years, Peak has created and acquired six operating subsidiaries in China focusing on FinTech solutions, primarily in the commercial credit industry. Peak licensed the Cubeler Lending Hub platform to offer credit-matching services between businesses (borrowers) and financial institutions (lenders) that automates various aspects of transactions, including financial due diligence and qualification for borrowers, making it faster and easier for a Chinese SME to obtain credit and reduces the risk for corporate lenders.
- In Q2/2019, Peak created a new joint venture ("JV") subsidiary with Jiangsu Zhongpu Financial Outsourcing Service ("ZFOS") to help address specific financial needs of supply-chain participants. In less than one month of service, the new subsidiary accounted for 20% of Peak's revenue in Q2/2019.
- In Q4/2019, Peak acquired the Jinxiaoer loan brokerage platform, which had over 40,000 registered loan sales reps in 2018 who submitted loan requests totalling over \$3 billion to the platform that year. Peak plans to integrate Jinxiaoer to its Cubeler Lending Hub platform, driving transactions to Cubeler while ensuring a higher probability that loan requests submitted through Jinxiaoer are quickly matched to lenders.

FINANCIAL ANALYSIS & VALUATION:

- We modelled Peak's revenue for 2019-2021 as a sum of the revenue from the six operating subsidiaries and estimated:
 - 2019: Revenue \$12.1 million; EBITDA \$0.3 million;
 - 2020: Revenue \$35.3 million; EBITDA \$3.9 million;
 - 2021: Revenue \$53.1 million; EBITDA \$18.8 million.
- Using a revenue multiple of 4x 2020 Revenue, an EBITDA multiple of 10x 2020 EBITDA, and a DCF at 10%, we estimate an equal-weighted price per share target of \$0.19.
- We are Initiating Coverage on Peak with a Buy rating and one-year price target of \$0.20.

All figures in CAD unless otherwise stated.

eResearch Corporation

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COMPANY INFORMATION

Company Summary

Headquartered in Montreal, Quebec, Canada, Peak Positioning Technologies Inc. is the parent company of a group of FinTech subsidiaries operating in China's commercial lending industry. Peak provides an investment vehicle for North American investors looking to participate in the digitization of China's financial services industry. By utilizing FinTech, analytics, and AI, Peak's subsidiaries have created a technology-based ecosystem of lenders, borrowers, and other participants in China's commercial lending and supply chain industries, targeting Small-to-Medium Enterprises ("SMEs").

The market opportunity in China for Peak's solutions is very large. According to the Chinese State Administration of Industry and Commerce, as of February 2017, the number of SMEs was estimated to be over 78 million. Peak's matching solutions automate various aspects of transactions, including financial due diligence and qualification for borrowers, making it faster and easier for a Chinese SME to obtain credit and reduces the risk for corporate lenders.

To capitalize on one of these opportunities, in 2016, Peak founded Asia Synergy Technology ("AST") and launched Gold River, a materials trading and financial services platform. As part of the solution, Gold River gave companies in the commodities trading industry access to credit and financing solutions to facilitate the materials trading.

In 2017, Peak moved away from the raw materials brokerage business and, in late 2019, AST's technology was repurposed as a supply-chain-related products broker, with the aim of using the platform to facilitate transactions between supply-chain participants.

During the launch of AST, Peak realized that a default lender was required to facilitate transactions and started the process of creating Asia Synergy Financial Capital ("ASFC"), which would take almost two years to complete as Peak navigated through China's financial regulations. ASFC was launched in 2018 as a JV with Jiu Dong Limited and funded with \$20 million of lending capital.

In the meantime, Peak recognized another opportunity in the Chinese market and, in 2017, created a new subsidiary called Asia Synergy Data Solutions ("ASDS"). ASDS licensed the Cubeler Lending Hub platform to offer credit-matching services between businesses (borrowers) and financial institutions (lenders). In December 2018, Peak acquired the assets and operations of Wenyi Financial Services Co. Ltd. ("Wenyi") to create ASCS, a new subsidiary that offers turn-key credit outsourcing services to banks and other lending institutions, thereby becoming its outsourcing clients' commercial lending departments.

In August 2019, Peak created a new JV called Asia Synergy Supply Chain ("ASSC") with Jiangsu Zhongpu Financial Outsourcing Service Ltd. ("ZFOS"). ASSC provides supply-chain-related services and financing services to the businesses, lenders, and suppliers of China's supply-chain industry.

Finally, in Q4/2019, Peak acquired the Jinxiaoer loan brokerage platform, which had over 40,000 registered loan sales representatives in 2018 who submitted loan requests totalling over \$3 billion to the platform that year. Peak plans to integrate Jinxiaoer into its Cubeler Lending Hub platform. This integration will drive transactions to Cubeler while ensuring a higher probability that loan requests submitted through Jinxiaoer are quickly matched to lenders.

Peak currently has six operating subsidiaries, leveraging the latest technologies to provide services aimed at reducing friction and improving efficiencies of SMEs access to financial capital and materials that they need to successfully manage and grow their businesses. See the sections below for more information about each of the operating subsidiaries.

Peak believes it has a competitive advantage in the Chinese market with its dedicated team of experienced business executives with strong ties to China, who understand technology, the Chinese culture and marketplace, and what it takes to be successful in China.

Over the past three years, Peak has created six operating subsidiaries in China focusing on FinTech solutions, primarily in the commercial credit industry.

1. 2016: Asia Synergy Information Technology (“AST”)
2. 2017: Asia Synergy Data Solutions (“ASDS”)
3. 2018: Asia Synergy Financial Capital (“ASFC”) – Joint Venture with Jiu Dong Limited (49% ownership)
4. 2018: Asia Synergy Credit Solutions (“ASCS”) – Acquisition of Wenyi Financial Services Co. Ltd.
5. 2019: Asia Synergy Supply Chain Technology (“ASSC”) – Joint Venture with ZFOS (49% ownership)
6. 2019: Jinxiaoer Technology Ltd. (“Jinxiaoer”) – Acquisition of Jinxiaoer loan brokerage platform

The diagram illustrates the ownership structure of Peak Positioning Technologies Inc. (CSE:PKK), which is based in Montreal, Quebec, Canada. The company is 100% owned by Asia Synergy Ltd. (Hong Kong, China). Asia Synergy Ltd. is 100% owned by Asia Synergy Holding Ltd. (Shanghai, China) and 100% owned by Wuxi Aorong Ltd. (Wuxi, China). Asia Synergy Holding Ltd. is 100% owned by Jinxiaoer (Shanghai, China) and 100% owned by Asia Synergy Data Solutions ("ASDS") (Shanghai, China). Asia Synergy Data Solutions is 100% owned by Asia Synergy Credit Solutions ("ASCS") (Wuxi, China) and 51% owned by Asia Synergy Supply Chain ("ASSC") (Jiangyin, China). Asia Synergy Technologies ("AST") (Shanghai, China) is 100% owned by Asia Synergy Data Solutions. Asia Synergy Financial Capital ("ASFC") (Wuxi, China) is 51% owned by Wuxi Aorong Ltd. and 49% owned by Jiu Dong Limited ("Jiu Dong"). Jiu Dong Limited is 49% owned by Jiagnsu Zhongpu Financial Service Ltd. ("ZFOS"). The entities Jiu Dong Limited, Jiagnsu Zhongpu Financial Service Ltd. ("ZFOS"), and the Joint Venture Partners are highlighted in a shaded box.

```

graph TD
    PKK["Peak Positioning Technologies Inc.  
(CSE:PKK)  
Montreal, Quebec, Canada"] -- 100% --> ASLTD["Asia Synergy Ltd.  
(Hong Kong, China)"]
    ASLTD -- 100% --> ASHLTD["Asia Synergy Holding Ltd.  
(Shanghai, China)"]
    ASLTD -- 100% --> WALTD["Wuxi Aorong Ltd.  
(Wuxi, China)"]
    ASHLTD -- 100% --> JX["Jinxiaoer  
(Shanghai, China)"]
    ASHLTD -- 100% --> ASDS["Asia Synergy Data Solutions  
(\"ASDS\")  
(Shanghai, China)"]
    ASDS -- 100% --> ASCS["Asia Synergy Credit Solutions  
(\"ASCS\")  
(Wuxi, China)"]
    ASDS -- 51% --> ASSC["Asia Synergy Supply Chain  
(\"ASSC\")  
(Jiangyin, China)"]
    ASDS -- 100% --> AST["Asia Synergy Technologies  
(\"AST\")  
(Shanghai, China)"]
    WALTD -- 51% --> ASFC["Asia Synergy Financial Capital  
(\"ASFC\")  
(Wuxi, China)"]
    JDL["Jiu Dong Limited  
(\"Jiu Dong\")"] -- 49% --> ASFC
    ZFOS["Jiagnsu Zhongpu Financial Service Ltd. (\"ZFOS\")"] -- 49% --> JDL
    subgraph JV ["Joint Venture Partners"]
        JDL
        ZFOS
    end
  
```

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Figure 2: Peak's Operating Subsidiaries

Subsidiary	Platform	Service Offering	Revenue Model	Ownership	Est.
1. AST	Gold River	Supply-chain-related products broker	Markup fee representing small percentage of value of products sold on Gold River platform.	100%	2016
	Cubeler	Refer purchase order financing requests to Cubeler platform.	Up to 0.5% of the value of financing transactions referred to Cubeler platform.		
2. ASDS	Cubeler/Jinxiaoer	Provides lending risk analysis and matches borrowers and lenders by using analytics and artificial intelligence.	Service fees charged for credit analysis reports and transaction fees of up to 2.5% to facilitate credit transactions between lenders and borrowers.	100%	2017
3. ASFC	Cubeler/Jinxiaoer	Loans to SMEs, usually guaranteed by vehicles.	15%-17% annual interest earned on loans extended.	51%	2018
4. ASCS	Cubeler/Jinxiaoer	Turn-key credit outsourcing services to banks and other lending institutions.	Monthly service fees on the loans serviced; range of 6%-8% annually.	100%	2018
5. ASSC	Cubeler	Provides supply-chain-related services and financing services to the businesses, lenders, and suppliers of China's supply-chain industry.	Percentage of the transaction value from the lenders and from credit report fees.	51%	2019
6. Jinxiaoer	Jinxiaoer	Loan brokerage platform allows sales reps and brokers to submit leads, get them matched and earn commissions, and provides qualified leads to lenders.	Membership and service fees charged to loan sales reps, Service Center fees charged to loan brokers, and service fees charged to lenders.	70%	2019

Source: Company Reports; eResearch Corp.

1. Asia Synergy Technology (“AST”)

- **Year Founded:** 2016
- **Location:** Shanghai, China
- **Ownership:** 100% Peak
- **Business Description:** AST was created to operate the Gold River platform. Gold River was originally a product procurement, materials trading, and purchase order-financing platform that gave companies in the commodities trading industry access to credit and financing solutions. In 2017, Peak moved away from the raw materials brokerage business and, in 2019, the Gold River platform was eventually re-purposed as a supply-chain-related products broker, using the platform to facilitate product transactions between supply-chain participants.
- **Revenue Model:** AST earns revenue by charging a fee representing a small percentage of the value of the transactions on the platform. AST also receives a referral fee for all purchase order financing requests received on Gold River that it refers to the Cubeler platform and that are approved.
- **Business Overview:**
 - AST acts as a broker between supply-chain participants and earns a transactional fee for the service.
 - Businesses registered on the Gold River platform can request to have their orders financed, which makes the platform valuable to businesses that are growing or need help in financing purchase orders.
 - AST refers all Gold River financing requests to the Cubeler Lending Hub platform and earns a fee for the referral.
 - Although Gold River was initially used for the procurement of metals and raw materials, the platform was designed in such a way that it can be adapted to allow for the procurement of a variety of products.
- **Notable Clients and Partners (as of January 2020):**
 - Asia Synergy Data Solutions (manager of the Cubeler Lending Hub)
 - By referring all purchase order financing requests to the Lending Hub, AST finds itself indirectly in partnership with a variety of banks and lending institutions.



ASIASYNERGY
INFORMATION TECHNOLOGY



GOLD RIVER

Figure 3: AST – Sample Gold River Product List

上海普凡 ASIA SYNERGY									
采购报表管理 销售报表 出库单统计 入库单统计 采购供应商 采购商品报表									
报表									
	商品名称	商品编码	包装数量	基本数量	合计数量	金额	平均价格	公司名称	
1	监控信号传输线/黑色	GD000001	59.00	3.00	298.00	35760.00	120.00	临安经销商	
2	铜合金电线/黄绿色	GA000127	115.00	25.00	600.00	104796.00	180.00	临安经销商	
3	空调专用电线(裸)/红色	GA000031	55.00	0.00	275.00	55000.00	200.00	临安经销商	
4	定制线	GE000002	183.00	3.00	918.00	80334.00	90.00	临安经销商	
5	聚苯乙炔绝缘屏蔽软电缆	GE000006	55.00	0.00	330.00	158400.00	480.00	临安经销商	
6	铜芯聚苯乙炔绝缘无卤低烟阻燃护套屏蔽软电缆	GE000004	61.00	0.00	305.00	29890.00	98.00	临安经销商	
7	铜芯无卤低烟阻燃绝缘电线/红色	GC000001	4445.00	20.00	22245.00	3559200.00	160.00	临安经销商	
8	铜芯无卤低烟阻燃耐火绝缘电线	GE000008	72.00	100.00	460.00	174800.00	380.00	临安经销商	
9	铜芯聚苯乙炔绝缘无卤低烟阻燃护套屏蔽软电缆	GE000019	345.00	0.00	1725.00	483000.00	280.00	临安经销商	
10	铜芯聚苯乙炔绝缘无卤低烟阻燃护套屏蔽软电缆/黄绿色	GC000150	405.00	127.00	2152.00	308310.00	150.00	临安经销商	
11	低烟无卤扁线/白色	GD0001	35.00	0.00	175.00	19250.00	110.00	临安经销商	
12	低烟无卤扁线/白色	GB000002	35.00	0.00	175.00	28000.00	160.00	临安经销商	
13	交联低烟无卤硬线/红色	GJ0001	45.00	0.00	225.00	40500.00	180.00	临安经销商	
14	四芯电话线/蓝色	GD000005	140.00	9.00	709.00	71566.00	110.00	临安经销商	
15	四屏视频线/白色	GD000004	0.00	0.00	0.00	0	108.00	临安经销商	
16	地埋信号专用线/金色	GD0001	4.00	2.00	22.00	2178.00	99.00	临安经销商	
17	铜芯聚苯乙炔绝缘无卤低烟阻燃护套屏蔽软电缆	GE000019	4.00	1.00	21.00	4527.60	215.60	南京经销商	
18	铜芯聚苯乙炔绝缘无卤低烟阻燃护套屏蔽软电缆/黄绿色	GC000150	1.00	2.00	7.00	840.00	120.00	南京经销商	
19	铜芯聚苯乙炔绝缘无卤低烟阻燃护套屏蔽软电缆	GE000004	3.00	4.00	19.00	1638.56	86.24	南京经销商	
20	铜芯聚苯乙炔绝缘无卤低烟耐火绝缘电线	GE000008	2.00	3.00	13.00	4446.00	342.00	南京经销商	
			6064.00	299.00	30674.00	5162436.16			

Source: Company website

2. Asia Synergy Data Solutions ("ASDS")

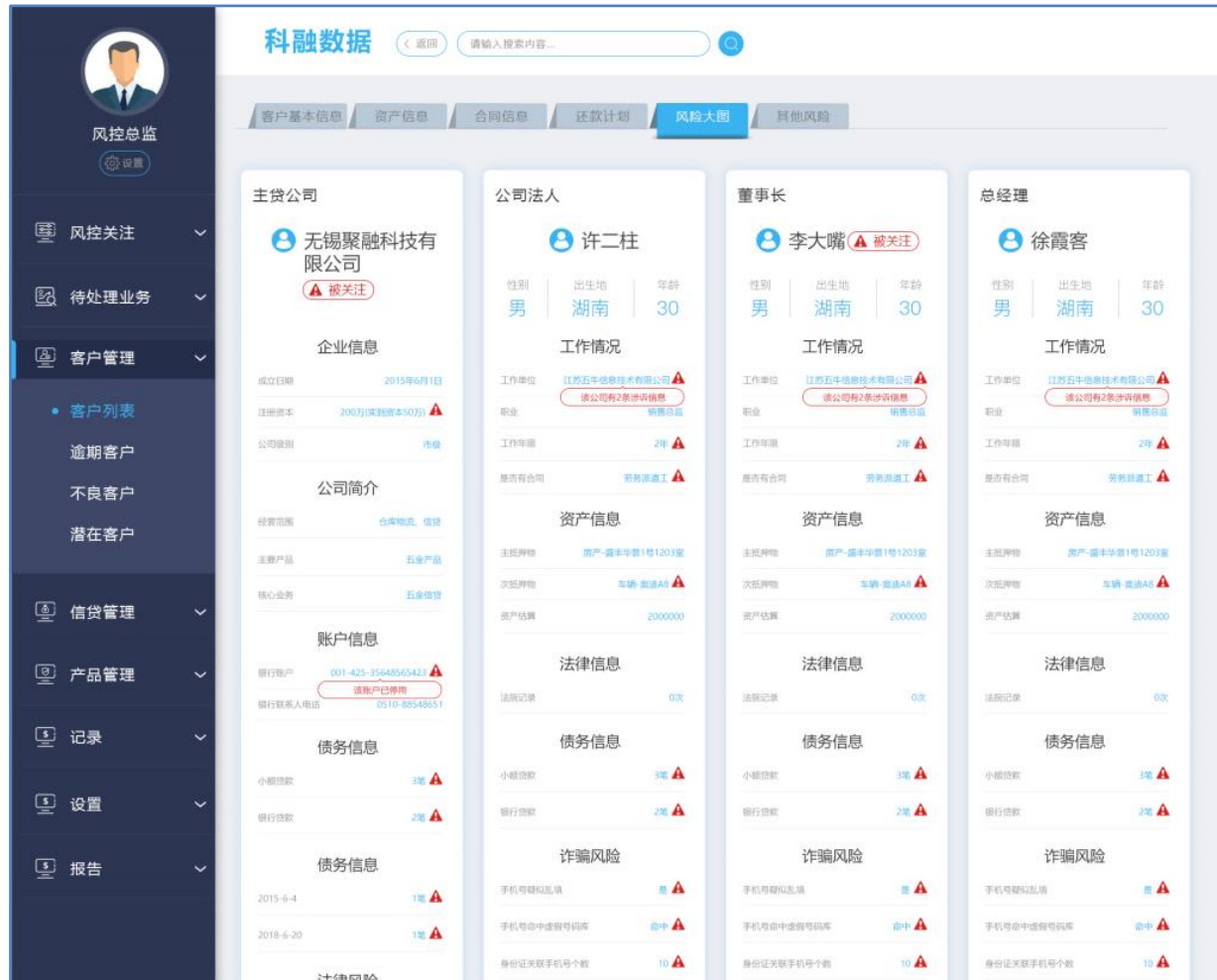
- **Year Founded:** 2017
- **Location:** Shanghai, China
- **Ownership:** 100% Peak
 - **Business Description:** ASDS manages and operates the Cubeler Lending Hub platform that uses its proprietary technology, AI, “big data”, and analytics to facilitate credit and lending transactions between China’s SMEs and financial institutions. The Cubeler platform provides the technology at the centre of Peak’s operations and is used in some capacity by every Peak subsidiary. The Company believes that ASDS will be Peak’s biggest revenue contributor. All of Peak’s R&D and intellectual property is held through ASDS in China.
 - **Revenue Model:** ASDS receives service fees for credit analysis reports and transaction fees to facilitate credit transactions between lenders and borrowers, including those involving Peak subsidiaries ASFC, ASCS and ASSC, which use the Cubeler Lending Hub platform. ASDS also expects to eventually commercialize the data gathered and analyzed on the Cubeler platform.
- **Business Overview:**
 - In 2017, Peak acquired the exclusive Chinese commercial rights to the Cubeler commercial lending platform and licensed those rights to ASDS.
 - The Cubeler platform uses a proprietary analytics engine to match businesses looking for credit with lenders and financial institutions whose credit criteria fits the businesses’ profile.
 - Cubeler accomplishes this task by processing and analyzing financial data from the registered businesses’ accounting software and other sources, and matches it with the credit criteria of lenders that are also registered on the platform.
 - Companies now understand the importance of data to their business as they can apply analytics, business intelligence, AI, and predictive modelling to get significant value and insight from the data. As more borrowers and lenders utilize Cubeler, the data gathered becomes extremely valuable and Peak, through ASDS, is poised to commercialize the data. ASDS expects to begin generating revenue from the data collected by Cubeler in China at some point in 2020.
- **Financial Institution Partners (as of January 2020):**
 - **Banks:**
 - Industrial and Commercial Bank of China (ICBC)
 - Huaxia Bank
 - Xiamen International Bank
 - China Everbright Bank
 - Ping An Bank
 - Wuxi Rural Bank
 - Jiangyin Bank
 - Pufa Bank
 - Shanghai Hongdu Rural Bank
 - **Non-bank lenders:**
 - ASFC: ASFC is a Peak subsidiary and non-bank financial institution specializing in consumer and small business loans that are usually secured by vehicles.
 - Huishan Qianzhou Lending Co
 - Shanghai Huadong Lending Co
 - Wuxi Huaxin Lending Co: A subsidiary of the conglomerate Wuxi Venture Capital Group Ltd. that provides financial services, primarily accounts receivable financing. Currently finances about \$120 million (approximately RMB 600 million) per year in receivables.
 - Wuxi Jinxin Internet Small Loans Lending Co: WJISL is a subsidiary of the government-owned Wuxi Financial Investment Group Ltd. Potential of \$100 million (RMB 500 million) in additional funds for lending on the Cubeler platform.
 - Jiangyin Xingjian Lending Co



Cubeler

- Wuxi Xingxin Lending Co
- Wuxi Hongdou Lending Co
- Yixing Yadong Lending Co
- Jiangyin Limin Lending Co
- **Equipment and vehicle financing and leasing companies:**
 - Jinzhou Leasing Ltd.
 - Wuxi Midai Leasing Ltd.
 - Shanghai Shangshi Leasing Ltd.
 - Xian Ningan Leasing Ltd.
 - Xian Xinrui Truck Leasing Ltd.: XXTL is a financial services company that specializes in providing long-term truck leasing services to small and medium-sized businesses.
 - Wuxi ZGTL Leasing Ltd
- **Insurance companies:**
 - China Renmin Insurance Ltd.
 - Wuxi Guolian Guarantee Ltd.
 - Bohai Insurance Ltd.
 - TaipingYang Insurance Ltd.
 - Wuxi Union SME Guarantee Ltd.
- **Strategic Partners (as of January 2020):**
 - Jinxiaoer: Loan brokerage platform with over 40,000 registered sales reps and brand recognition in over 30 cities, including large metropolitan centres such as Shanghai and Shenzhen. Expected to be the vehicle that brings the fuel (loan leads and transactions) to the Cubeler Lending Hub.
 - ASFC
 - AST
 - ASCS
 - ASSC
 - ZFOS
 - Xian Fenghui Automobile Service Company: Car dealer in Xian, China, that began purchasing credit analysis reports in Q2/2019. ASDS will receive a service fee for every client analysis.
 - Zhong Yin Law Firm: Launched a service with ASDS called Gold Legal, for lenders using the Cubeler Lending Hub platform, aimed at reducing the risk of making commercial loans in China. The service is similar to an insurance policy and protects a lender against potential loan defaults.
 - China Auto Industry Development Ltd. (“CAID”): CAID is a distributor of components that go into the making of various auto parts. CAID will use the Cubeler commercial lending platform as a solution for purchase order financing.
- **Payment Partners: Alipay and WeChat Pay**
 - Alipay and WeChat Pay: ASDS has integrated support on the Cubeler platform for the two most popular mobile payment methods in China – Alipay and WeChat Pay.
 - Business owners who borrow funds, from any of the lending partners on the Cubeler platform, can now use the mobile payment apps to make payments on the loans.
 - Alipay, launched by the Alibaba Group in 2004, has a 54% share of China’s trillion-dollar annual mobile payments market and WeChat Pay has a 37% share.

Figure 4: ASDS – Consolidated Credit Risk Report



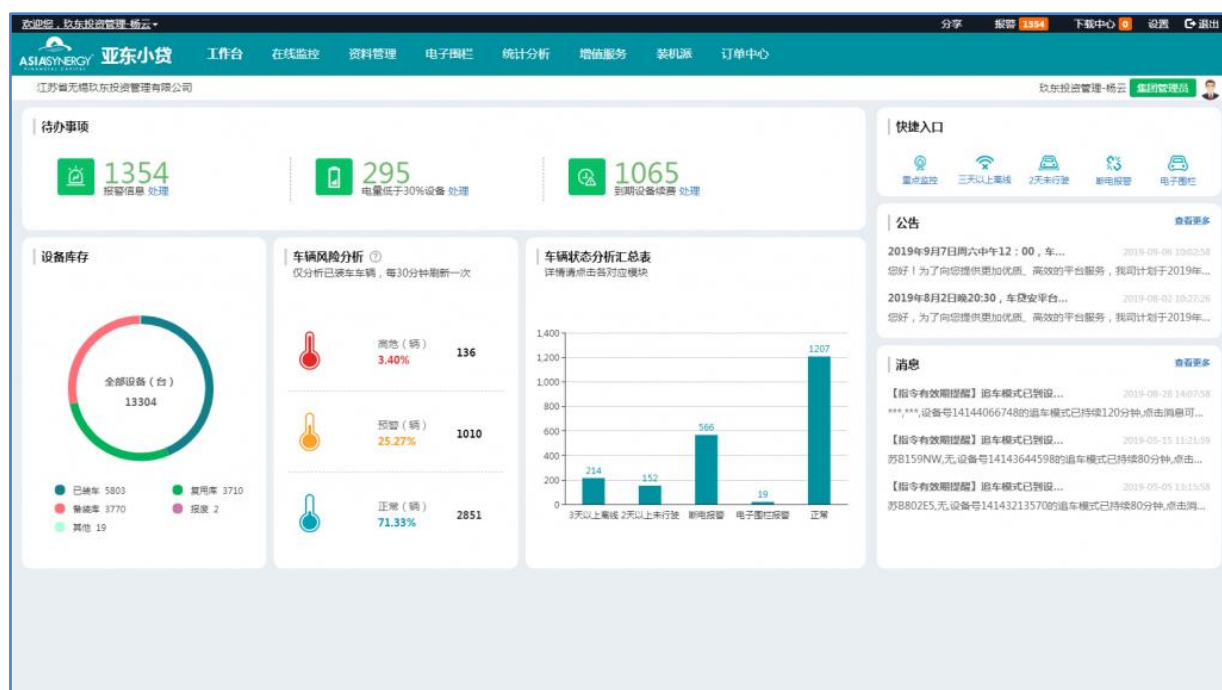
Source: Company website

3. Asia Synergy Financial Capital (“ASFC”)



- **Year Founded:** 2018
- **Location:** Wuxi, China
- **Ownership:** 51% Peak; 49% Jiu Dong Limited
- **Business Description:** ASFC is a Chinese-licensed, financial services company providing commercial loans and financing to SMEs, usually secured by vehicles.
- **Revenue Model:** ASFC derives most of its revenues from interest income earned on loans and credit it extends to SMEs. The average annual interest rate charged by ASFC is about 17%. ASFC pays ASDS a service fee for each transaction facilitated by the Cubeler Lending Hub platform.
- **Lending Capital Available:** \$20 million but has the capacity to increase the capital by borrowing additional funds.
- **Background:** ASFC was funded with \$20 million from a \$9.8 million investment from Jiu Dong for a 49% equity stake, while Peak invested \$10.2M for a 51% stake.
- **Business Overview:**
 - ASFC provides loans and credit related financial services on two FinTech platforms operated by Peak's other subsidiaries, AST (Gold River) and ASDS (Cubeler).
 - ASFC was initially established to act as the default lender on both the Gold River and Cubeler platforms and primarily uses the borrowers' vehicles as collateral to secure the loans.
 - According to Peak, ASFC has one of the lowest loan default rates in the industry. At the time of the loans, GPS devices are installed in the vehicles to track and remotely render them inoperable if required.
- **Notable Clients and Partners (as of January 2020):**
 - ASDS

Figure 5: ASFC – Sample Rep Dashboard



Source: Company website

4. Asia Synergy Credit Solutions (“ASCS”)

- **Year Founded:** 2018
- **Location:** Wuxi, China
- **Ownership:** 100% Peak
- **Business Description:** ASCS is a financial services company providing turn-key credit outsourcing services to Chinese banks and other lending institutions. The services include having ASCS guarantee every loan managed on behalf of its lending clients. ASCS is able to do this through an agreement with an insurance company whereby ASCS provides a deposit of 10% of the value of the loan to be guaranteed to the insurance company, which ASCS gets back at the end of the term of the loan. This loan guarantee removes virtually all lending risk for ASCS’ clients, but limits ASCS’ revenue capacity by its ability to come up with the 10% deposit required to guarantee the loans.
- **Revenue Model:** ASCS receives monthly service fees equivalent to an annual interest rate of approximately 6% of the loans it services. In 2018, servicing \$18 million in loans, Wenyi, which was acquired by Peak and became ASCS, had annual revenue of approximately \$1.2 million and \$400,000 in EBITDA.
- **Background:**
 - In December 2018, Peak acquired the assets of Wenyi to create ASCS.
 - ASCS’ outsourcing clients (banks and other lending institutions) provide the capital and collect the loan repayments, while ASCS finds and qualifies the borrowers and does all of the administrative work related to servicing the loans.
 - By virtue of its agreement with Wuxi Union SME Guarantee Ltd., a small business loan insurance company, ASCS can guarantee loans made by its clients for an aggregate amount of up to \$1 billion.
 - ASFC leverages Peak’s Lending Hub platform to automate the provision of its services and helps it acquire new clients.
- **Notable Clients and Partners (as of January 2020):**
 - ASDS
 - Wuxi Union SME Guarantee Ltd. Xinxin Micro Loan Company Ltd.
 - Wuxi Jinxin Internet Small Loans Ltd.
 - Huaxia Bank
 - Wuxi Rural Bank
 - China Construction Bank
 - Qianzhou Lending Company Ltd.
 - Xinjian Lending Company Ltd.
 - Limin Lending Company Ltd.



Figure 6: ASCS – Monthly Tracking Report



Source: Company website

5. Asia Synergy Supply Chain Technology (“ASSC”)

- **Year Founded:** 2019
- **Location:** Jiangyin, China
- **Ownership:** 51% Peak; 49% ZFOS
- **Business Description:** ASSC provides supply-chain related services and financing services to the businesses, lenders, and suppliers of China’s supply-chain industry.
- **Revenue Model:** ASSC generates revenue from the supply-chain related services it provides and from lenders through referral fees representing a percentage of the value of the transaction created by the referral and from credit report fees.
- **Background:**
 - In August 2019, Peak created a new JV called ASSC with Jiangsu Zhongpu Financial Service Ltd. (“ZFOS”).
 - To form the JV, ZFOS transferred a portion of its supply-chain operations and Peak licensed the Cubeler Lending Hub platform royalty free.
 - Before the merger, ZFOS was a supply-chain service and logistics company serving about 1,000 businesses.
- **Notable Clients and Partners (as of January 2020):**
 - ZFOS
 - Jiangsu Ronghuitong Supply Chain Management Company Ltd: Company to which ASSC outsources most of its supply-chain related services.
 - ASDS
 - Jiangyin Longding Decoration Materials Company Ltd.
 - Jiangyin Golden Bridge Chemical Company Ltd.
 - Jiangyin Bank
 - Wuxi Rural Bank
 - Xinjian Lending Company Ltd.



Figure 7: ASSC – Sample of an Approved Suppliers List



Source: Company website

6. Jinxiaoer Technology Ltd.

- **Year Acquired:** 2019
- **Location:** Shanghai, China
- **Ownership:** 70% Peak; 30% Jinxiaoer founders
- **Business Description:** Jinxiaoer is a patented platform specifically designed for loan brokerage companies and their sales representatives and enables them to earn commissions on loan leads that they generate that are not suited for their businesses and to receive leads suited to their businesses from non-affiliated sales reps registered on the platform.
- **Revenue Model:** Jinxiaoer generates revenue from monthly registration fees paid by the reps, annual franchise fees paid by the brokerage companies (the Jinxiaoer Service Centers), and transactional referral fees paid by the banks and lenders benefiting from the platform's leads. Those referral fees range from 0.25% to 1.00% of the value of each loan resulting from a lead generated by the platform.
- **Background:**
 - Jinxiaoer was launched in Shanghai in 2017. Jinxiaoer rapidly expanded its reach such that in 2018, the platform had over 40,000 registered sales reps affiliated with 2,700 loan brokerage companies located in 31 cities, and had received loan requests totalling 15B RMB (approximately \$3 billion).
 - In December 2019, Peak acquired 70% of Jinxiaoer for \$1.6 million payable in a combination of cash and common shares.
- **Notable Clients and Partners (as of January 2020):**
 - ASDS



Cubeler Lending Hub Platform – FinTech Matching Ecosystem

In March 2017, Peak signed a 10-year agreement with Cubeler Inc. (www.cubeler.com) for the exclusive rights to the Cubeler commercial lending platform (“Cubeler”) for use in China, which Peak has branded Lending Hub in that market.

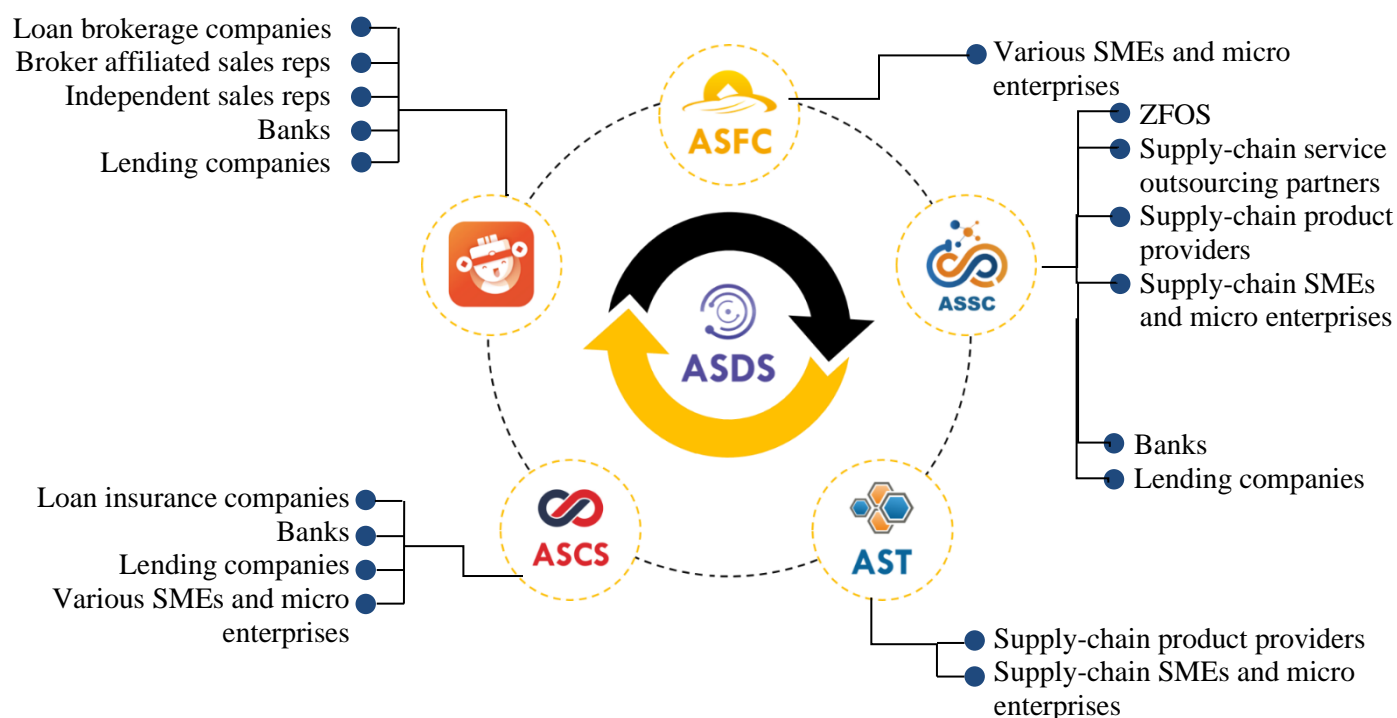
In China, the commercial credit/lending industry includes three major participants: lenders, business borrowers, and credit/loan brokers. Many lenders depend on brokers to bring them qualified leads and brokers have sales reps and sometimes their own dedicated call centres to reach out to businesses to determine if they require financing.

At its core, the Lending Hub is both a FinTech platform and an ecosystem comprised of lenders, borrowers and loan brokers where lenders find borrowers, borrowers find lenders, and loan brokers submit leads and earn commissions. Lending Hub uses a proprietary analytics engine and AI to analyze data and qualify prospective borrowers for loans and match them with the appropriate lenders.

The data analyzed on Lending Hub comes from the platform’s participants and various private and public data sources including some popular social media platforms, as evidenced by the Company’s announcement of a WeChat financial data validation feature in the summer of 2019. WeChat is a social media, messaging and payments app that has over 1 billion active monthly users in China.

Lending Hub is industry agnostic, and supports various types of lenders (asset-based lenders, banks, factoring and leasing companies, and a wide range of alternative lenders) and credit products (based on use of funds, repayment terms, asset used to secure the loans, etc.).

Figure 8: Cubeler Lending Hub



Source: Company Reports

How Lending Hub operates can be summarized as follows:

- Potential borrowers sign up for free on the platform, either directly or through a loan broker, and give the platform access to their business data through their businesses' accounting software and by authorizing the platform to access their business data at other private and government data sources.
- Brokers bring potential borrower leads to the platform (through the Jinxiaoer platform).
- Lending partners register on the platform and enter their lending criteria into their respective Lending Hub accounts.
- The platform processes the potential borrowers' data to see if the businesses qualify for loans based on the registered lenders' lending criteria and matches each potential borrower's loan request with those financial institutions where the criteria are aligned.
- The platform charges lenders a fee for every loan facilitated by the platform and pays the brokers a commission for every loan generated as a result of a lead they submitted on the platform.

The following is a summary of Lending Hub's main value proposition to the Chinese commercial lending industry:

- Lenders
 - Large pool of potential new loan clients qualified based on specified lending criteria
 - Support for multiple financial products
 - Cross reference of loan candidate data from multiple sources to prevent fraudulent loan applications
 - Rapid analysis and processing of loan applications
 - Minimization of loan default risk
 - Significant costs savings and increased efficiency
- Borrowers
 - Single application to potentially obtain multiple loan offers
 - Increased likelihood of qualifying for a loan
 - Free service
- Brokers
 - High commission rates with minimal registration fees
 - Ability to earn commission on leads that would otherwise be wasted
 - Support for multiple financial products
 - Very high likelihood to have leads qualify for loans

Figure 9: WeChat Data Validation Feature



Source: Company website

As of January 2020, according to the Company, the Lending Hub ecosystem included six Peak subsidiaries, 10 banks, 20 lending companies, 5 loan insurance companies, 8 strategic partners, and is poised to welcome 45 loan brokerage companies and over 500 loan sales reps once the Company completes the integration of the Jinxiaoer platform to Lending Hub.

Peak/Cubeler Commercial Agreement Highlights:

Peak's 10-year licensing agreement for the Cubeler platform allows Peak to use, modify, sublicense, and market the platform, as well as develop and distribute new product and services derived from the platform. According to the terms of the agreement, Peak must pay Cubeler Inc. (the private Canadian company) a 5% royalty fee of the gross revenues generated by the Lending Hub platform in China, where gross revenues are defined as the gross amount recognized as income in connection with the sale of products, services and fees charged through the platform, less deductions for value added or any similar taxes with respect to such products, services and fees. Cubeler Inc. also provided Peak with technical, sales, and marketing support in the early stages of the platform's adaptation for the Chinese market. The support agreement between Peak and Cubeler Inc. ended in January 2018.

INDUSTRY OVERVIEW: FINANCIAL TECHNOLOGY

What is Financial Technology (FinTech)?

FinTech describes the application of technology to automate, improve, and/or customize the delivery and use of financial services. FinTech can include physical computer hardware, customized software as well as data networks (both wired and wireless), and commonly delivered to consumers by automated tellers, computers and, more recently, smartphones.

The first applications of FinTech focused on applying technology to the back-office systems at financial institutions (e.g., banks) that processed financial transactions manually, such as cheque processing. In 1950, Bank of America started a project to implement a computer system called Electronic Recording Method of Accounting (“ERMA”) to automate cheque processing.

The internet’s growth into a worldwide network with the adoption of personal computers and mobile technologies fuelled FinTech’s exponential growth and expansion beyond the banking sector to include any industry that has a financial component or transactional service (see Figure 10).

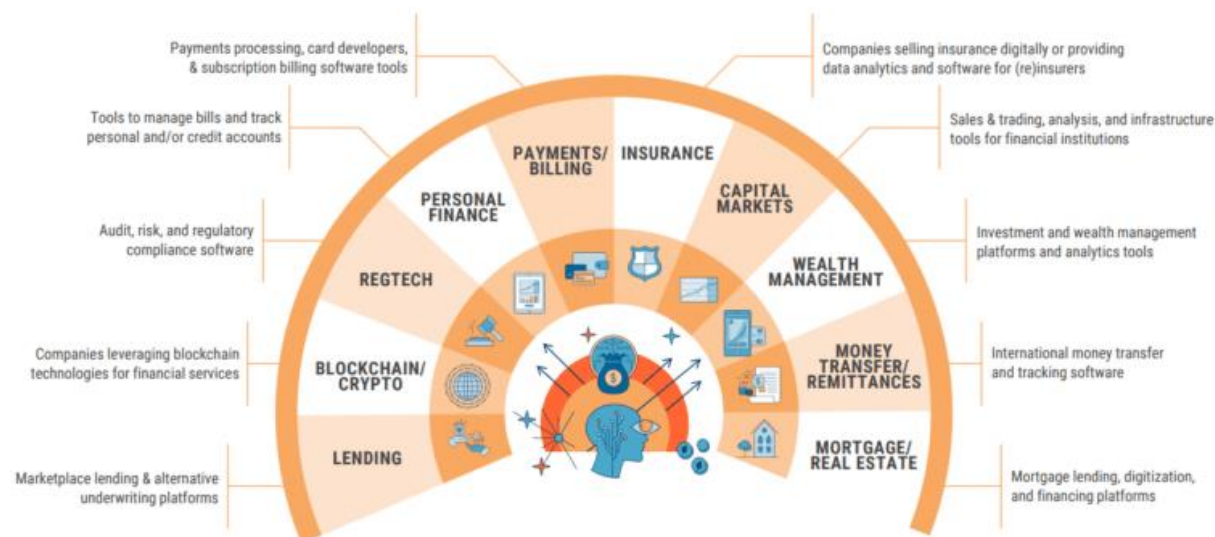
The original goal of FinTech was to help companies better manage their financial operations, improve the processes, and increase the level of security while improving the customer experience, but recently there has been more attention to consumer-focused mobile applications (“apps”) and financial services solutions.

As FinTech now covers a broad range of financial and transactional solutions within the FinTech industry, there are dozens of sub-sectors that include Anti-Money Laundering (AML), Bank Technology (“BankTech”), Blockchain and Cryptocurrency, Compliance and Regulations (“RegTech”), CyberSecurity, Insurance Technology (“InsureTech”), Loan Technology (“LoanTech”), and Smart Contracts, to name just a few.

Also, emerging from the financial crisis of 2008, FinTech also includes the blockchain technology that spawned crypto-currencies (digital currencies) such as bitcoin or ether.

Recently, FinTech start-up companies have focused on solutions, especially in the brokerage and wealth management industries. These start-ups claim to be more responsive to the market by providing better service or targeting specific demographics, with the start-ups beginning to erode market share of the traditional financial institutions.

Figure 10: The FinTech Industry



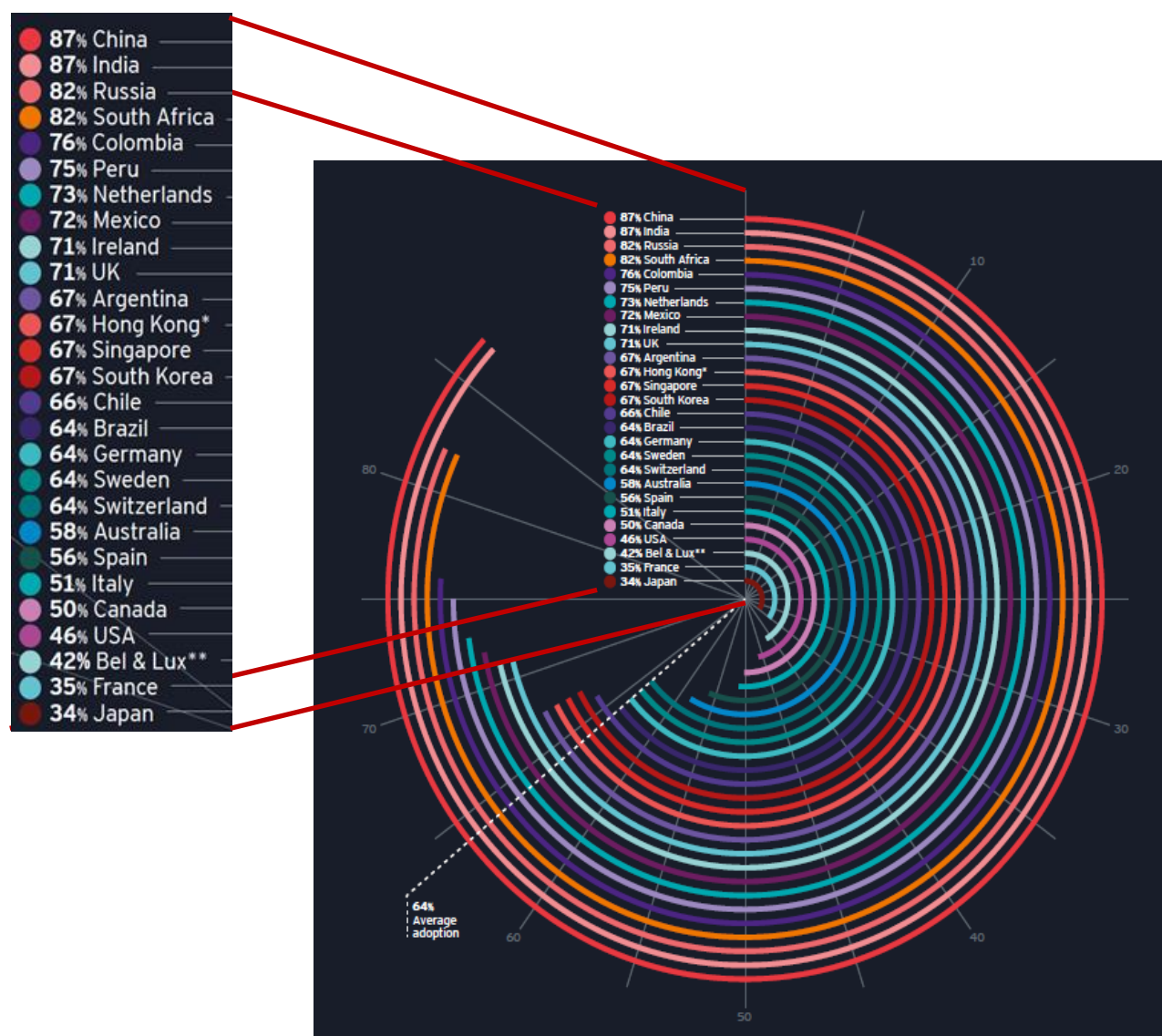
Source: CB Insights (2019)

Most prominent with consumers are the myriad of mobile applications, payment providers (e.g. Stripe and PayPal), and online electronic commerce (e-commerce) solutions (e.g. Amazon and eBay) that are replacing physical stores.

In traditional consumer and business banking and loan origination, FinTech disrupts this sector by providing mobile technology solutions aimed at a digital generation that demands easy-to-use products with low fees. These online solutions are taking market share from traditional financial institutions that have been slower to implement lower fees solutions.

In an annual Global FinTech Adoption report, Ernst & Young (“EY”) has seen a steady increase in FinTech adoption with consumers. In 2015, the year of its first report, 16% of those surveyed used FinTech services, which grew to 33% in 2017, and 64% in its latest survey published this year (see Figure 11).

Figure 11: Consumer FinTech Adoption Rate in 27 Countries



Source: EY – Global FinTech Adoption Index (2019)

Emerging markets are leading the way with the FinTech adoption rate in China and India at 87%, and Russia and South Africa at 82%. In the developed countries, the Netherlands leads the way with FinTech adoption rate at 73%, and Ireland and the United Kingdom at 71%. Although leading in FinTech spending and investment in FinTech companies, the FinTech adoption rate in Canada is only 50% and in the U.S., only 46% (see Figure 11).

But even with the lower adoption rate in the U.S., Bankrate.com reported that in the U.S., among smartphone users, almost two-thirds of all users have at least one financial app installed and 70% use a FinTech solution for weekly financial transactions such as online banking, bill payment, loan and credit card origination, and insurance purchases.

Challenges to the FinTech industry include cybersecurity, protecting the integrity of financial transactions while protecting customer data, and governmental legislation (at all levels of government – local, provincial/state, and federal) that regulate the financial industry.

Spending in the Information Technology and FinTech Markets

Global Information Technology (IT) spending remains robust as companies look to find ways of increasing productivity while reducing costs. Although global IT spending could be moderated by slowing economic growth, the software sector continues to grow, lifted by the transition to Software-as-a-Service (SaaS) offerings.

Macro Environment – Global IT Spending Remains Strong

According to Gartner's latest survey of global IT spending published in July 2019, Global IT spending should reach US\$3.74 trillion in 2019, up 0.6% from 2018, and increase to US\$3.88 trillion in 2020, up 3.7% from 2019. Virtually all countries tracked by the survey showed growth, despite the recent economic uncertainty fuelled by slowing global economic growth, trade tensions between various countries, and geo-political uncertainty caused by Brexit and the upcoming 2020 election in the U.S.

Figure 12: Worldwide IT Spending Forecast (US\$ Billions)

	2018 Spending	2018 Growth (%)	2019 Spending	2019 Growth (%)	2020 Spending	2020 Growth (%)
Data Center Systems	210	15.7	203	-3.5	208	2.8
Enterprise Software	419	13.5	457	9.0	507	10.9
Devices	712	5.9	682	-4.3	688	0.8
IT Services	993	6.7	1,031	3.8	1,088	5.5
Communications Services	1,380	-0.1	1,365	-1.0	1,386	1.5
Overall IT	3,716	5.1	3,740	0.6	3,878	3.7

Source: Gartner (July 2019)

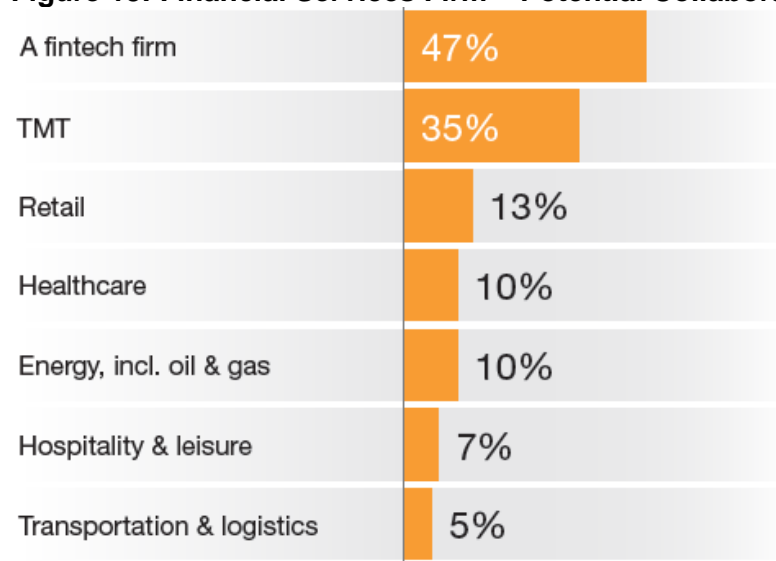
Of importance to FinTech companies that provide outsourced services, the Gartner survey found that as web-based Cloud services become more mainstream, they will capture an even greater share of IT spending, especially in the Enterprise Software category, for application software and business process outsourcing, with an expected growth rate of 10.9% from 2019 to 2020 (see Figure 12).

Global FinTech Spending

Global FinTech spending also continues to remain strong and grow year-over-year. In a 2018 report, Celent estimated that the Global FinTech spending at banks would increase 4.2% in 2018, and reach US\$261 billion, driven by the rapid spread of technology, including high-speed computer hardware and data storage as well as software solutions incorporating decision making and AI capabilities.

According to PwC's Global FinTech Survey 2019, 76% of financial institutions expect to create a new strategic alliance or JV and the largest area of collaboration is with a FinTech company (see Figure 13).

Figure 13: Financial Services Firm – Potential Collaboration Partner



Source: PwC Global FinTech Report (2019)

Global Investment in FinTech

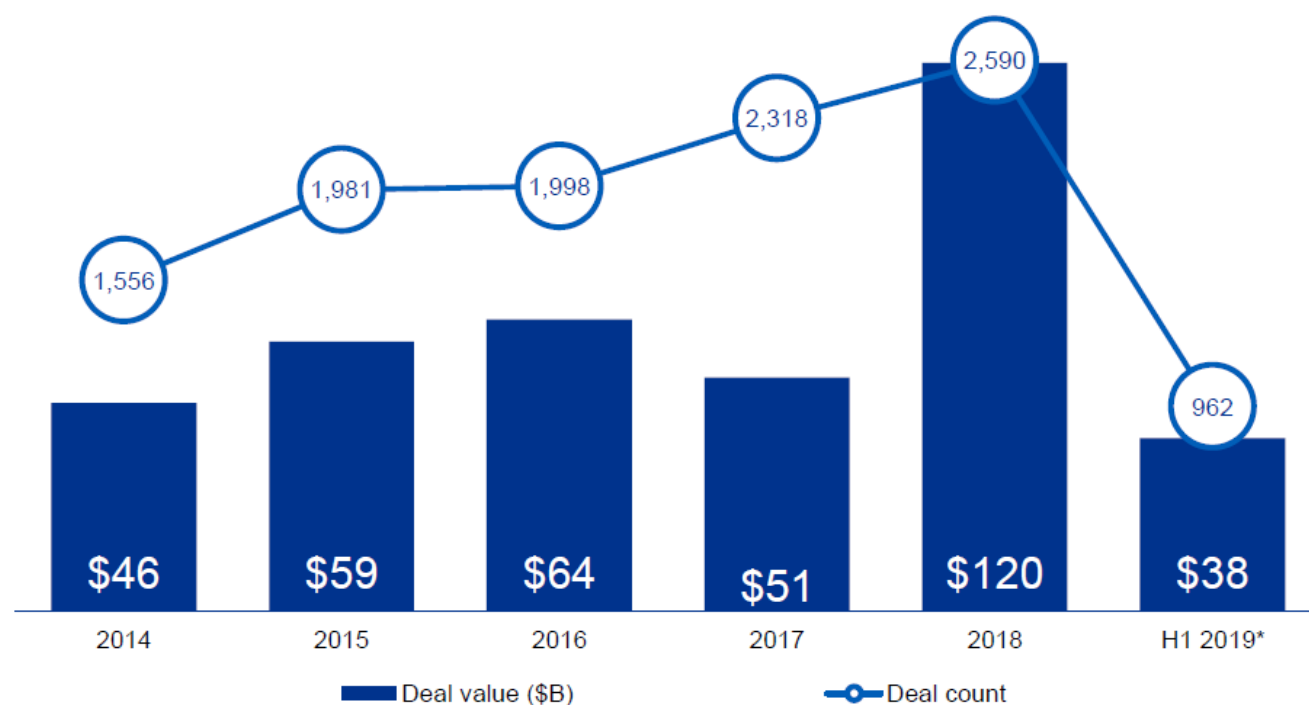
According to KPMG's Pulse of FinTech report, Global FinTech investment increased to US\$120 billion in 2018, up over 135% from US\$51 billion in 2017, primarily due to large merger & acquisitions deals (see Figure 14).

With a significant amount of funding directed at start-ups, North America is at the forefront of the FinTech sector. According to KPMG, FinTech investment in the Americas rose to US\$54.5 billion in 2018, up over 87% year-over-year (y/y) but dominated by the US\$20 billion Refinitiv deal. European FinTech investment was US\$34.2 billion in 2018, up over 180% y/y. Asia-Pacific FinTech investment was US\$22.7 billion, up over 81% y/y, but dominated by Ant Financial's US\$14 billion financing from a consortium of private equity and investment groups, including the Canada Pension Plan Investment Board, General Atlantic, and The Carlyle Group (NASDAQ:CG).

In 2018, the Pulse of FinTech study reported that Canada recorded 119 FinTech deals for an aggregate investment of US\$1.2 billion. The report cited that the majority of the Asia-Pacific investment was in China with US\$18.2 billion in funding across 83 deals but dominated by the aforementioned Ant Financial financing.

KPMG believes FinTech investment will remain strong into 2019 despite the global slowdown in various economies and geopolitical issues regarding trade and regional conflicts. The growth in regional FinTech hubs helps to attract and focus FinTech investments in those regions with specific subsectors gaining recent prominence, such as RegTech and InsurTech, and new technologies, such as AI and process automation that utilize specialized software and algorithms.

Figure 14: Total Worldwide FinTech Investment Activity (VC, PE and M&A)

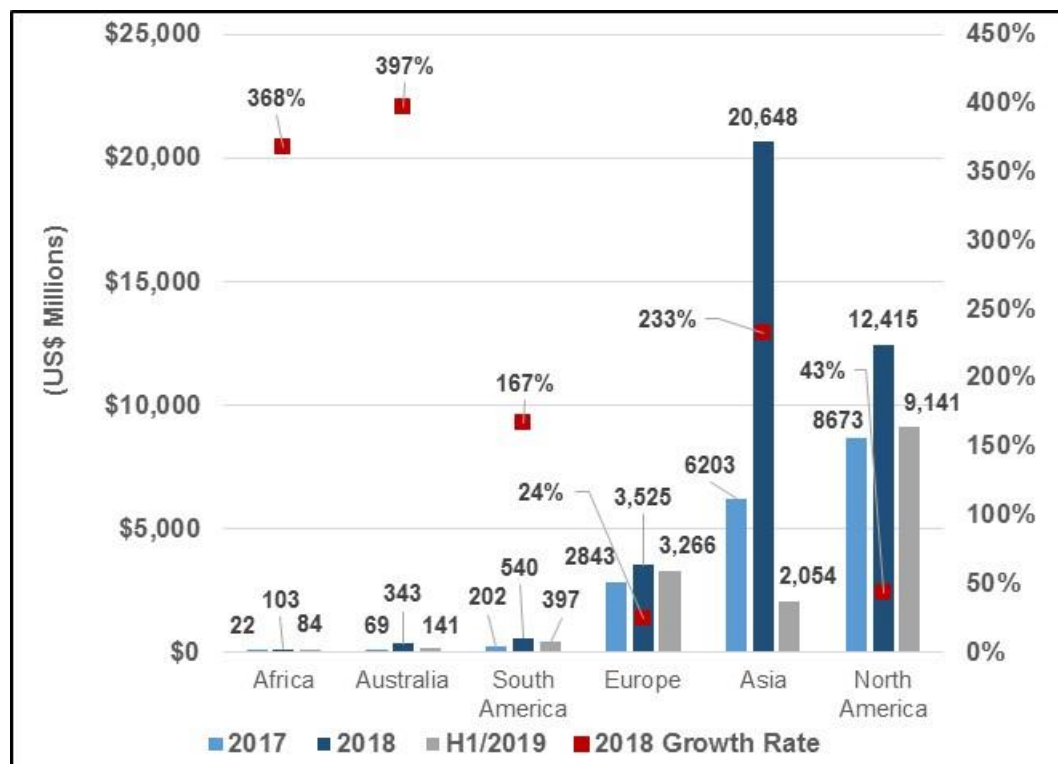


Source: KPMG – Pulse of FinTech (H1/2019)

Venture Capital Activity Shows Growth in All Regions

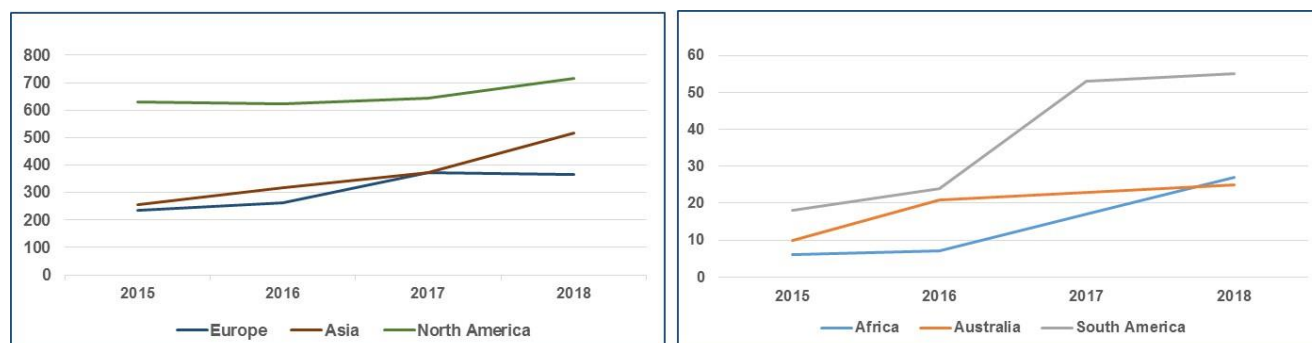
Venture Capital (VC) deal activity and funding into FinTech is a good proxy for the overall FinTech industry. As illustrated in Figure 15 and Figure 16, growth across all regions remains strong, with the highest percentage increases in South America, Africa and Australia. Asia and North America still dominate, in both deal activity and investment. As previously mentioned, in 2018, Asia's funding was skewed by Ant Financial's US\$14 billion financing. In H1/2019, North American Global VC-backed FinTech funding regained its top spot with US\$9.1 billion while Asia funding dropped to only US\$2.1 billion.

Figure 15: Global VC-Backed FinTech Funding & Growth Rate



Source: CB Insights – FinTech Trends (2019)

Figure 16: Global VC-backed FinTech Deals (2015-2018)



Source: CB Insights – FinTech Trends (2019)

Chinese Commercial Lending Market

The commercial lending market in China is large but fraught with some challenges. According to Bloomberg, at the end of September 2019, outstanding loans to small- and micro-sized enterprises amounted to 36.39 trillion yuan (US\$5.2 trillion), up 20.81% from the beginning of the year.

Over the past few years, China's central bank, the People's Bank of China, enacted new regulations forcing the country's banks to meet certain minimum loan quotas to small and micro businesses. With many banks and lenders still using manual processes, the financial institutions were caught off guard by the regulations and looked at technology solutions to find and qualify enough small businesses to meet the new requirements.

In early 2019, the People's Bank of China set sharp growth targets for lending to small businesses and targeted China's big five state-owned banks to increase lending to small businesses by 30%. The Chinese banking authorities' goal was to create a sustainable path for lending to smaller enterprises as Chinese economic growth slowed to levels not seen since the early 1990s.

However, regulators are also now dealing with increasing concerns over the health of the Chinese banking industry as bad debt levels have surged to the highest in at least 15 years, prompting bank seizures and bailouts.

This issue of bad debt has put pressure on lenders to be more effective in their lending practices and created an opportunity for lenders to implement Peak's technology. Peak's service offering automates the process by which lenders find and, more important, qualify borrowers to help reduce default rates, and allows banks and lenders to increase the number of loans to meet the imposed minimum SME loan targets while helping to reduce bad debt.

Competitors

In China, the strong economic growth over the past few decades has generated large demand for financial services, especially in the SME space. As previously discussed, China has one of the highest per capita FinTech adoption rate at 87% and is at the forefront of embracing internet powered lending models.

Competition in the commercial lending and lending technology industries exists within established financial institutions as well as in technology companies looking to leverage solutions to capture the loan market. Key vendors in the Chinese FinTech and lending industry include the companies listed below.

Ant Financial (IQ204862759)

- www.antfin.com
- Headquartered in Hangzhou, China, Ant Financial is a spin-off of China's Alibaba and was formerly called Alipay. Ant Financial includes the mobile wallet Alipay and an online lending platform, MyBank.

FinVolution (NYSE:PPDF)

- www.ppdai.com
- Headquartered in Shanghai, China, FinVolution operates an online consumer finance marketplace through its platform in China. It provides services to connect borrowers and investors whose needs have not been met by traditional financial institutions.

Jianpu Technology (NYSE:JT)

- www.jianpu.ai
- Headquartered in Beijing, China, Jianpu Technology operates a platform that provides a portal for financial products in China. Its platform allows users to access financial products, including consumer and other loans, credit cards, and wealth management products.

LexinFinTech (NasdaqGM:LX)

- ir.lexinFinTech.com
- Headquartered in Shenzhen, China, LexinFinTech operates as an online consumer finance platform in China, offering various types of loans and also matches customer loans with diversified funding sources.

Qudian (NYSE:QD)

- www.qudian.com
- Headquartered in Xiamen, China, Qudian provides online small consumer credit products in China, utilizing big data-enabled technologies, including AI and machine learning to transform the consumer finance experience.

Tencent (SEHK:700)

- www.tencent.com
- Headquartered in Shenzhen, China, Tencent is a multinational technology conglomerate that offers online games, advertising services, and social networks across various online platforms. Tencent owns WeChat, the social media and communications app, that also offers various credit card and loan services, and has a 30% stake in WeBank.

X Financial (NYSE:XYF)

- www.xiaoyinggroup.com
- Headquartered in Shenzhen, China, X Financial offers a suite of loan products in China, connecting borrowers and investors through a proprietary Internet platform.

Yiren Digital (NYSE:YRD)

- www.yirendai.com
- Headquartered in Beijing, China, Yiren Digital operates an online consumer finance marketplace, which connects borrowers and investors, and offers loan products, primarily in China.

REVIEW OF PEAK'S FINANCIALS

Over the past three years, Peak has either created or acquired a total of six operating subsidiaries in China focusing on FinTech solutions, primarily in the commercial credit industry.

1. 2016: Asia Synergy Information Technology (“AST”)
2. 2017: Asia Synergy Data Solutions (“ASDS”)
3. 2018: Asia Synergy Financial Capital (“ASFC”) – Joint Venture with Jiu Dong Limited (49% ownership)
4. 2018: Asia Synergy Credit Solutions (“ASCS”) – Acquisition of Wenyi Financial Services Co. Ltd.
5. 2019: Asia Synergy Supply Chain Technology (“ASSC”) – Joint Venture with ZFOS
6. 2019: Jinxiaoer (70% ownership)

In 2019, each of the subsidiaries were operating as “early stage” start-ups, either at their genesis or the later part of the launch phase of the business life cycle. Although AST launched in 2016 to manage Gold River, a materials trading platform, Peak moved away from that business in 2017, and in 2019 AST’s technology was re-purposed as a supply-chain-related products broker, taking the subsidiary back to an early stage launch phase. The ASFC subsidiary is the exception as its \$20 million loan pool was fully deployed and earning interest and fees, and ASFC was actively seeking other avenues for additional capital.

In 2019, the majority of Peak’s revenue is expected to come from ASSC, ASDS, ASFC, and ASCS. However, as Peak exits 2019, revenue from the various subsidiaries should compound as each business line enters into the growth phase of their respective business life cycles and Jinxiaoer begins to operate as a Peak subsidiary.

As subsidiaries add partners onto their respective platforms, computer system integration work is required to insure compatibility between clients’ systems and Peak’s various subsidiaries’ platforms. This integration work often delays revenue until the work is completed.

When looking at Peak’s financial statement, with its current focus on Financial Services Revenue starting in Q2/2017, comparisons of financial data prior to 2018 are mostly not meaningful, including the Sale of Material Products in Q1/2017 and in prior periods.

Financial Highlights for 2019 include:

- Six consecutive quarters of revenue growth since Q1/2018 when Peak shifted the business to focus on Financial Services Revenue, doubling revenue from Q1/2019 to Q2/2019 and again from Q2/2019 to Q3/2019, being EBITDA positive in Q2/2019 and Q3/2019, and generating an operational profit in Q3/2019.
- However, the level of cash flow that was being generated as of the date of this report was not sufficient to meet Peak’s working capital requirements. To continue funding operations, Peak may need to raise funds in the capital markets at some point in the first half of 2020. We believe this situation will be alleviated as the Company continues to generate positive EBITDA, a trend that started in Q2/2019, as we model Peak to be increasingly EBITDA positive going forward.
- Expanding the service offerings facilitated by Lending Hub into two new cities – Xian and Jiangyin.
- AST:
 - Peak focused on completing the repurposing of its Gold River product procurement platform to a supply-chain-related products broker and expects revenue from the platform at some point in the first half of 2020.
- ASDS:
 - ASDS continues to earn fees from all of Peak’s subsidiaries by providing the technology at the centre of its operations while only making minor investments to maintain and enhance the Cubeler Lending Hub platform.

- **ASFC:**
 - As its \$20 million of loan capital was fully deployed, ASFC was a significant contributor to Peak's revenue and responsible for most of the Company's operational profit in 2019.
 - ASFC earned revenue from interest payments on loans extended to Chinese SMEs with over 50% of loans carrying repayment terms of less than 12 months and yielding an effective average annual interest rate of between 16%-17%.
- **ASCS:**
 - ASCS signed an agreement with the Wuxi Rural Commercial Bank ("WRCB") to service up to \$1 billion in loans on behalf of the bank. The agreement represents a potential of \$60 million in service fees for ASCS. Although most of ASCS' revenue in 2019 was generated from clients other than WRCB, the WRCB agreement can be expected to account for a significant percentage of ASCS' revenue in future quarters.
 - In addition to the new relationship with WRCB, ASCS added several new commercial lending clients in 2019 and as of the date of this report, had eight commercial lending clients.
- **ASSC:**
 - In less than one month of service, ASSC accounted for 20% of Peak's revenue in Q2/2019. Building on that momentum, ASSC went on to account for over 50% of the Company's revenue in Q3/2019.

Revenue Types

Peak primarily earns revenue in the following ways:

- Interest charged to borrowers on loans made using its own capital (ASFC);
- Service fees charged to lenders related to Cubeler Lending Hub (ASDS);
- Service fees charged to lenders to manage loans on their behalf (ASCS);
- Jinxiaoer membership fees charged to loan sales reps (Jinxiaoer);
- Jinxiaoer service fees charged to loan sales reps (Jinxiaoer);
- Jinxiaoer Service Center fees charged to loan brokers (Jinxiaoer);
- Jinxiaoer service fees charged to lenders (Jinxiaoer);
- Supply-chain related and financial assistance related service fees charged to supply-chain participants (ASSC);
- Product procurement and Purchase Order ("PO") financing service fees charged to SMEs (AST).

Revenue Model

We modelled Peak's revenue for 2019-2021 as a sum of the revenue from the five operating subsidiaries with the following assumptions.

- **AST:** As the Gold River platform transforms into a supply-chain-related products broker, we assume the transactional volume in 2019 will only be \$5 million but grow to \$50 million in 2020 and \$55 million by 2021, and AST will make, on average, 3.5% as a transaction fee.
- **ASDS:** The average loan pool will be \$50 million in 2019, \$100 million in 2020, and \$400 million in 2021. The average transaction fee will be 2.5% and revenue from data sales will be approximately 10% of Loan revenue.
- **ASFC:** The current loan pool of \$20 million will grow by 50% over the next two years, as ASFC raises additional lending capital, and the lending pool will reach \$45 million by 2020. The average interest rate will be 14.5%.
- **ASCS:** The current loan pool of \$1 billion will only reach a utilization of 2% in 2019 (\$20 million in loans), 3% in 2020 (\$30 million in loans), and 4% in 2021 (\$40 million in loans). We estimate the average transaction fee will be 6.5%.
- **ASSC:** We assume the transaction pool will be \$210 million in 2019 with an average transaction fee of 3%, then jumping to \$650 million in 2020 in ASSC's first full year of operations, and to \$700 million in 2021.
- **Jinxiaoer:** We assume the loan request will be \$1 billion per year starting in 2020 and growing to \$2 billion in 2021 with an average transaction fee of 0.5%

With these revenue assumptions, we estimated that revenue and EBITDA would be:

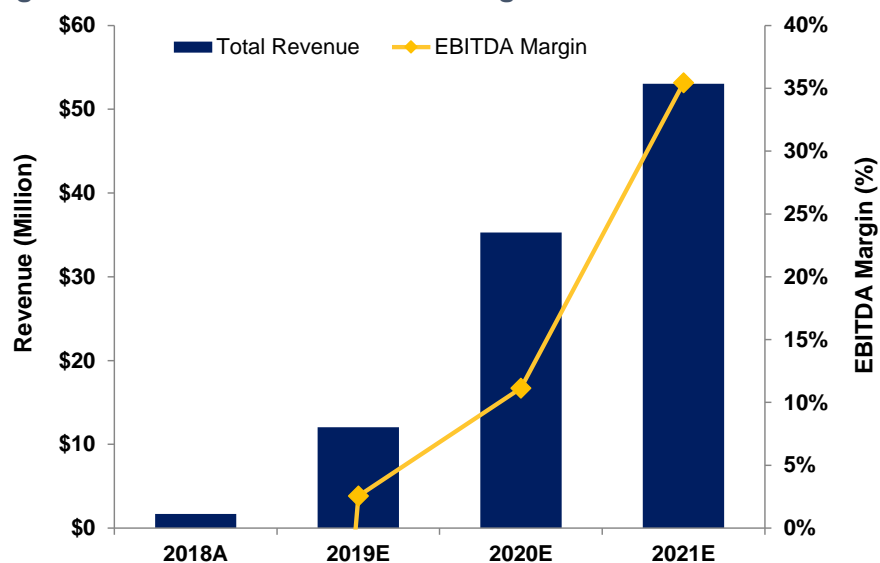
- 2019: Revenue \$12.1 million; EBITDA \$0.3 million;
- 2020: Revenue \$35.3 million; EBITDA \$3.9 million;
- 2021: Revenue \$53.1 million; EBITDA \$18.8 million.

Figure 17: Peak Revenue Model

	2019	2020	2021
AST			
Ownership	100%	100%	100%
Transactional Volume	\$5,000,000	\$50,000,000	\$55,000,000
Average Transaction Fee	3.50%	3.50%	3.50%
Gross Revenue	\$175,000	\$1,750,000	\$1,925,000
Revenue to Peak	\$175,000	\$1,750,000	\$1,925,000
ASDS			
Ownership	100%	100%	100%
Loan Pool	\$50,000,000	\$100,000,000	\$400,000,000
Average Transaction Fee	2.50%	2.50%	2.50%
Loan Revenue	\$1,250,000	\$2,500,000	\$10,000,000
Data Revenue	\$125,000	\$250,000	\$1,000,000
Gross Revenue	\$1,375,000	\$2,750,000	\$11,000,000
Revenue to Peak	\$1,375,000	\$2,750,000	\$11,000,000
ASFC			
Ownership	51%	51%	51%
Loan Pool	\$20,000,000	\$30,000,000	\$45,000,000
Average Interest Rate	14.50%	14.50%	14.50%
Gross Revenue	\$2,900,000	\$4,350,000	\$6,525,000
Revenue to Peak	\$1,479,000	\$2,218,500	\$3,327,750
ASCS			
Ownership	100%	100%	100%
Average Transaction Fee	6.50%	6.50%	6.50%
Loan Pool	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
Utilization	2%	3%	4%
Gross Revenue	\$1,300,000	\$1,950,000	\$2,600,000
Revenue to Peak	\$1,300,000	\$1,950,000	\$2,600,000
ASSC			
Ownership	51%	51%	51%
Transactional Volume	\$210,000,000	\$650,000,000	\$700,000,000
Average Transaction Fee	3.00%	3.00%	3.00%
Gross Revenue	\$6,300,000	\$19,500,000	\$21,000,000
Revenue to Peak	\$3,213,000	\$9,945,000	\$10,710,000
Jinxiaoer			
Ownership		70%	70%
Transactional Volume		\$1,000,000,000	\$2,000,000,000
Average Transaction Fee		0.50%	0.50%
Gross Revenue		\$5,000,000	\$10,000,000
Revenue to Peak		\$3,500,000	\$7,000,000
GROSS REVENUE	\$12,050,000	\$35,300,000	\$53,050,000
NET REVENUE TO PEAK	\$7,542,000	\$22,113,500	\$36,562,750

Source: eResearch Corp.

Figure 18: Revenue and EBITDA Margins



Source: Company Reports and eResearch Corp.

VALUATION

Currently, based on our analysis of the Small Cap FinTech industry in Canada (see APPENDIX D: FINTECH COMPARABLES), Enterprise Value (EV)/Revenue was 4.0x in 2018 with EV/EBITDA of almost 10x. Multiples for 2019 were not as relevant as there were not sufficient companies with revenue or EBITDA estimates to make the average relevant.

Our DCF model with a 10% WACC and a six-year terminal multiple of 9.0x EBITDA yields a one-year target share value of \$0.31. Using a revenue multiple of 4x and a one-year ahead Revenue of \$39 million, the one-year target share price is \$0.17. Using an EBITDA multiple of 10x and a one-year ahead EBITDA of \$7 million, the one-year target share price is \$0.09.

The equal-weighted price per share is \$0.19 and we are setting the one-year price target at \$0.20.

Figure 19: Target Price (1-year) Calculation for Peak

Estimates (M)			Net Debt (M) (Dec 2020)	Shares O/S (M)	Price /Share
Method 1: DCF	WACC 10%	Terminal Multiple 9x EBITDA		1035.1	\$0.31
Method 2: Revenue Multiple	4x	1-Year Forward \$40	-\$15.4	1035.1	\$0.17
Method 3: EBITDA Multiple	10x	1-Year Forward \$8	-\$15.4	1035.1	\$0.09
Equal-Weighted Price Per Share (1-year):					\$0.19
Target Price (1-year):					\$0.20

Source: eResearch Corp.

We are Initiating Coverage on Peak Positioning with a (blended) 1-year price target of \$0.20.

APPENDIX A: PEAK'S FINANCIAL STATEMENTS

Figure 20: PKK Income Statement

Peak Positioning Income Statement (As Dec 31, C\$)	2017A	2018A	Q119A	Q219A	Q319A	Q419E	2019E	2020E	2021E
Revenue									
Financial Services Revenue	150,403	1,681,534	949,511	1,901,723	4,499,953	4,698,813	12,050,000	35,300,000	53,050,000
Sale of Raw Material Products	7,324,999	-	-	-	-	-	-	-	-
Total Revenue	7,475,402	1,681,534	949,511	1,901,723	4,499,953	4,698,813	12,050,000	35,300,000	53,050,000
Expenses									
Cost of Materials	7,432,747	-	-	-	-	-	-	-	-
General and Administrative	1,507,761	3,143,386	845,400	1,363,816	1,729,085	1,550,608	5,488,909	9,531,000	11,671,000
Consulting & Professional Fees	1,109,253	638,317	164,077	174,899	165,813	173,141	677,930	1,300,724	1,954,771
Management Fees to Officers & Directors	274,039	216,340	35,906	39,482	29,878	38,600	143,866	165,000	192,000
Travel and Entertainment	242,052	266,201	105,223	98,837	70,717	100,800	375,577	422,800	490,800
Depreciation of Property & Equipment	77	5,924	62,180	130,862	125,904	132,200	451,146	556,900	603,800
Amortization	423,425	1,063,404	196,201	212,929	239,765	251,800	900,695	999,500	1,086,600
Total Operating Expenses	10,989,354	5,333,572	1,408,987	2,020,825	4,981,078	5,047,149	13,458,039	32,975,924	35,998,971
Operating Income	(3,513,952)	(3,652,038)	(459,476)	(119,102)	(481,125)	(348,336)	(1,408,039)	2,324,076	17,051,029
Total Other Income	57,342	207,571	627	(20,672)	(17,289)	(358,914)	(396,248)	(1,137,331)	(775,515)
EBT	(3,456,610)	(3,444,467)	(458,849)	(139,774)	(498,414)	(707,250)	(1,804,287)	1,186,744	16,275,514
Income Taxes	380	(164,453)	(109,930)	(156,213)	(278,902)	282,900	(262,145)	(474,698)	(6,510,205)
Net Income (Loss)	(3,456,230)	(3,608,920)	(568,779)	(295,987)	(777,316)	(424,350)	(2,066,432)	712,047	9,765,308
EPS									
Basic EPS	(0.01)	(0.01)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)	0.00	0.01
Diluted EPS	(0.01)	(0.01)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)	0.00	0.01
EBITDA	(2,294,946)	(2,502,296)	(189,846)	184,844	154,303	159,356	308,657	3,927,947	18,799,620
Shares Outstanding									
Shares Outstanding, Basic	452,630,699	661,178,509	675,212,135	676,875,603	713,542,135	713,542,135	713,542,135	713,542,135	713,542,135
Shares Outstanding, Diluted	452,630,699	661,178,509	675,212,135	676,875,603	713,542,135	713,542,135	713,542,135	733,542,135	733,542,135

Source: Company Reports and eResearch Corp.

Figure 21: PKK Balance Sheet

Peak Positioning Balance Sheet (As at Dec 31, C\$)	2017A	2018A	Q119A	Q219A	Q319A	Q419E	2019E	2020E	2021E
Current Assets									
Cash	2,471,683	2,016,410	274,177	276,243	1,435,592	7,465,586	7,465,585	6,698,849	15,738,368
Restricted Cash & Short-Term Investments	1,200,000	-	-	-	-	-	-	-	-
Debtors, Loans & Other Receivables	9,465,760	10,482,144	12,593,396	13,201,377	15,596,776	12,864,649	12,864,649	13,530,459	11,183,710
Prepaid Expenses & Other Assets	574,917	737,012	648,838	630,506	842,957	1,555,355	1,555,355	2,427,296	2,632,181
Total Current Assets	13,712,360	13,235,566	13,516,411	14,108,126	17,875,325	21,885,590	21,885,589	22,656,604	29,554,259
Non-Current Assets									
Property and Equipment	309	112,796	121,508	111,498	684,793	684,793	684,793	684,793	180,456
Intangible Assets	2,027,713	1,578,869	2,898,215	2,760,103	2,146,427	1,931,784	1,931,784	1,855,664	1,782,544
Right-of-use Assets	-	-	251,435	648,205	-	-	-	-	-
Loans Receivable	-	9,762,072	9,821,791	9,669,485	8,818,025	8,818,025	8,818,025	8,818,025	8,818,025
Total Assets	15,740,382	24,689,303	26,609,360	27,297,417	29,524,569	33,320,191	33,320,191	34,015,086	40,335,283
Current Liabilities									
Trade & Other Payables	289,452	1,460,992	2,190,086	3,522,287	6,146,761	10,645,827	10,645,827	11,107,601	7,412,420
Debentures	-	3,343,820	3,464,708	3,593,469	3,730,704	3,394,751	3,394,751	2,324,706	1,589,150
Contingent Compensation Payable	-	-	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000
Total Current Liabilities	289,452	4,804,812	7,084,794	8,545,756	11,307,465	15,470,578	15,470,578	14,862,307	10,431,570
Non-Current Liabilities									
Notes Payable + Other L-T Liabilities	4,263,913	398,015	410,011	651,209	371,171	334,054	334,054	219,173	143,799
Total Liabilities	4,553,365	5,202,827	7,494,805	9,196,965	11,678,636	15,804,632	15,804,632	15,081,480	10,575,369
Shareholders Equity									
Share Capital	20,550,873	32,749,447	32,912,928	32,775,565	33,516,307	33,516,307	33,516,307	33,516,307	33,516,307
Contributed Surplus	7,477,763	7,841,256	7,914,350	8,061,507	8,133,170	8,227,146	8,227,146	8,933,146	9,994,146
Retained Earnings	(17,062,100)	(20,914,779)	(21,597,481)	(22,102,561)	(23,045,634)	(23,469,984)	(23,469,984)	(22,757,937)	-12,992,629
Accumulated OCI	220,481	(189,449)	(115,242)	(634,059)	(757,910)	(757,910)	(757,910)	(757,910)	(757,910)
Total Shareholders Equity	11,187,017	19,486,475	19,114,555	18,100,452	17,845,933	17,515,559	17,515,559	18,933,606	29,759,914
Total Liabilities & Shareholders Equity	15,740,382	24,689,302	26,609,360	27,297,417	29,524,569	33,320,191	33,320,191	34,015,086	40,335,283

Source: Company Reports and eResearch Corp.

Figure 22: PKK Cash Flow Statement

Peak Positioning	2017A	2018A	Q119A	Q219A	Q319A	Q419E	2019E	2020E	2021E
Cash Flow Statement (As at Dec, C\$)									
Cash Provided By Operating Activities									
Net Income (Loss)	(3,456,230)	(3,608,920)	(568,779)	(295,987)	(777,316)	(424,350)	(2,066,432)	712,047	9,765,308
Amortization of Intangibles	423,425	592,404	187,147	203,773	230,676	214,643	836,239	76,120	73,121
Depreciation of Property & Equipment	77	5,924	9,389	10,147	299,409	199,073	518,018	821,752	614,471
Stock Based Compensation Expense	795,504	551,414	73,094	90,026	105,343	93,976	362,439	706,000	1,061,000
Impairment	-	471,000	-	-	584,189	-	584,189	-	-
Other	(59,409)	(9,128,232)	113,947	420,490	1,267,398	-	1,801,835	-	-
Changes in Non-Cash Working Capital									
Trade & Other Receivables	22,915	23,054	74,715	(756,982)	(2,561,099)	2,732,127	(511,239)	(665,810)	2,346,749
Prepaid Expenses & Other Assets	428,090	(9,814,325)	48,174	(13,188)	(140,930)	(712,398)	(818,342)	(871,940)	(204,885)
Trade & Other Payables	(80,085)	599,835	(1,638,981)	1,383,165	2,195,349	4,499,066	6,438,599	461,774	(3,695,182)
Total Cash Provided By Operating Activities	-1,925,713	(20,307,845)	(1,701,294)	1,041,444	1,479,141	6,602,137	7,421,428	1,239,942	9,960,581
Investing Activities									
Purchase of Property & Equipment	-	(79,544)	(18,101)	(137)	(9,275)	(199,073)	(226,586)	(821,752)	(110,133)
Purchase of Intangibles	(181,702)	(111,091)	(1,757,928)	(462,432)	447,018	-	(1,773,342)	-	-
Business Acquisition	(1,595,592)	1,200,000	-	-	(863,430)	-	(863,430)	-	-
Redemption of Short-Term Investments & Restricted Cash	-	(257,386)	(34,212)	99,001	(76,038)	-	(11,249)	-	-
Total Cash From Investing Activities	-1,777,294	751,979	(1,810,241)	(363,568)	(501,725)	(199,073)	(2,874,607)	(821,752)	(110,133)
Financing Activities									
Proceeds from Loan	3,000,000	19,501,108	250,000	280,000	-	-	530,000	-	-
Repayment of Loan	(40,039)	-	-	-	147,117	(373,070)	(225,953)	(1,184,926)	(810,929)
Operating Line (Repayment)	-	-	-	-	-	-	-	-	-
Repayment of Loan	(40,039)	-	-	-	147,117	(373,070)	(225,953)	(1,184,926)	(810,929)
Issue of Equity	2,982,564	230,000	-	-	640,000	-	640,000	-	-
Total Cash From Financing Activities	5,815,640	19,731,108	1,808,482	52,635	471,539	(373,070)	1,959,586	(1,184,926)	(810,929)
Effect of Exchange Rates on Cash	199,588	(630,514)	(39,180)	(728,445)	(289,607)	-	(1,057,232)	-	-
Net Increase in Cash	2,312,221	(455,272)	(1,742,233)	2,066	1,159,348	6,029,994	5,449,175	(766,735)	9,039,518
Beginning Cash	159,462	2,471,683	2,016,410	274,177	276,244	1,435,592	2,016,410	7,465,585	6,698,849
Ending Cash	2,471,683	2,016,410	274,177	276,243	1,435,592	7,465,586	7,465,585	6,698,849	15,738,368

Source: Company Reports and eResearch Corp.

APPENDIX B: OUTSTANDING SHARES, OPTIONS & WARRANTS

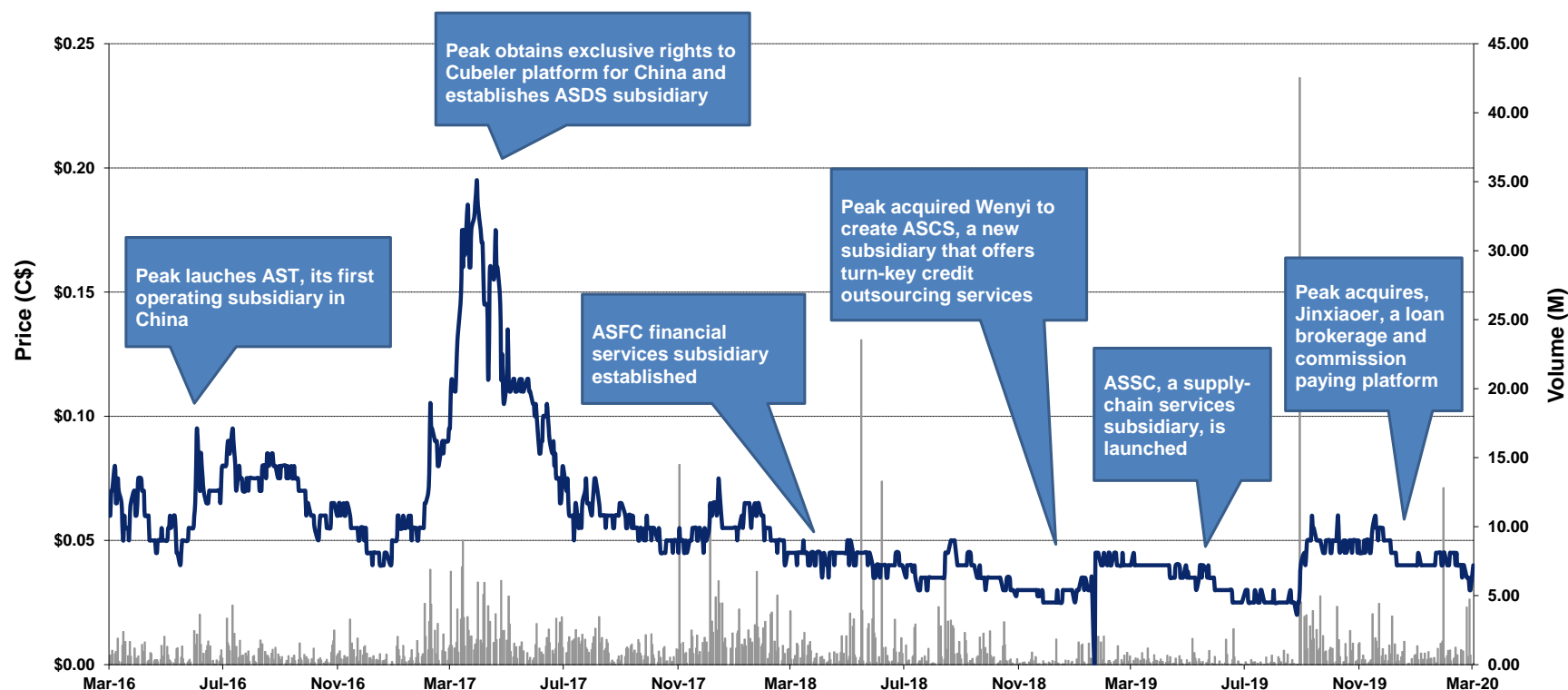
Figure 23: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares Outstanding	
Shares Outstanding at end of the Quarter (Sept. 30, 2019)	713,542,135
Shares Outstanding at end of the Previous Quarter	676,875,603
Shares issued in the Quarter	36,666,532
Shares Issued after Quarter end	
- Debt conversion (10,000,000) inc.	
- Shares-for-debt swap (800,000) inc.	
- Shares for Services	1,250,000
- Private Placement for Acquisition	14,400,000
Shares Outstanding	729,192,135
- In the money Options	-
- In the money Warrants	-
- In the money Convertible Debentures	-
- Other	10,000,000
Shares Outstanding - Fully Diluted	739,192,135
Shares Outstanding - Valuation	
Shares Outstanding (August 28,2019)	729,192,135
- Options: Strike price below target price	53,800,000
- Warrants: Strike price below target price	133,095,000
- Convertible Debentures: Strike price below target price	99,060,000
- Other	20,000,000
Shares Outstanding - Valuation	1,035,147,135

Source: Company Reports and eResearch Corp.

APPENDIX C: PEAK FOUR-YEAR STOCK CHART AND CORPORATE EVENTS

Figure 24: Peak Four-Year Stock Chart with Corporate Events



Source: Yahoo!Finance, Company Reports and eResearch Corp.

APPENDIX D: FINTECH COMPARABLES

Figure 25: Canadian FinTech Comparables

Name	Ticker	Close Mar 04	Mkt Cap C\$ (M)	Cash (M)	EV (M)	Revenue				EBITDA				EV/Revenue			EV/EBITDA			
						2017A	2018A	2019E	LTM	2017A	2018A	2019E	LTM	2018A	2019E	LTM	2018A	2019E	LTM	
Large Cap																				
Shopify Inc.	NYSE:SHOP	\$512.23	\$80,048.4	\$2,468.0	\$57,377.2	\$673.3	\$1,073.2	\$1,555.0	\$1,578.2	-\$28.6	-\$68.7	\$66.6	-\$113.0	53.5x	36.9x	36.4x	n/a	861.8x	n/a	
Thomson Reuters	TSX:TRI	\$104.93	\$52,003.5	\$1,358.0	\$54,220.5	\$5,297.0	\$5,501.0	\$5,916.7	\$5,906.0	\$1,258.0	\$1,078.0	\$1,500.5	\$1,044.0	9.9x	9.2x	9.2x	50.3x	36.1x	51.9x	
TMX Group	TSX:X	\$113.97	\$6,411.6	\$229.4	\$7,280.8	\$668.9	\$820.7	\$800.6	\$1,160.1	\$447.1	\$647.8	\$459.5	\$809.7	8.9x	9.1x	6.3x	11.2x	15.8x	9.0x	
Mean (excludes Rev. Multiple >10; EBITDA Multiple >50)															9.4x	9.1x	7.7x	11.2x	26.0x	9.0x
Median															9.9x	9.2x	9.2x	30.8x	36.1x	30.5x
Mid Cap																				
goeasy Ltd.	TSX:GSY	\$67.30	\$979.9	\$80.6	\$1,827.4	\$229.4	\$250.2	\$608.9	\$394.1	NA	NA	\$195.1	NA	7.3x	3.0x	4.6x	n/a	9.4x	n/a	
Kinaxis Inc.	TSX:XKS	\$118.88	\$3,139.3	\$212.6	\$2,935.8	\$133.3	\$150.7	\$190.0	\$191.5	\$30.2	\$27.2	\$54.5	\$40.6	19.5x	15.5x	15.3x	108.0x	53.9x	72.4x	
Lightspeed POS	TSX:LSPD	\$33.96	\$3,129.5	\$126.7	\$3,018.3	\$0.0	\$71.9	\$105.4	\$105.7	\$0.0	-\$17.8	-\$19.6	-\$34.4	42.0x	28.6x	28.6x	n/a	n/a	n/a	
Real Matters	TSX:REAL	\$14.88	\$1,260.7	\$80.9	\$1,192.4	\$298.0	\$268.1	\$359.2	\$365.8	\$2.2	\$3.0	\$39.0	\$39.8	4.4x	3.3x	3.3x	392.7x	30.6x	30.0x	
Mean (excludes Rev. Multiple >10; EBITDA Multiple >50)															5.9x	3.2x	3.9x	n/a	20.0x	30.0x
Median															13.4x	9.4x	10.0x	250.4x	30.6x	51.2x
Small Cap																				
AnalytiX Insight	TSXV:ALY	\$0.45	\$35.0	\$1.7	\$33.3	\$4.5	\$4.8	\$0.0	\$4.1	-\$1.2	-\$2.1	\$0.0	-\$2.3	6.9x	n/a	8.2x	n/a	n/a	n/a	
Perk Labs	CNSX:PERK	\$0.16	\$22.6	\$4.1	\$18.4	\$1.1	\$1.7	\$0.0	\$0.2	-\$9.1	-\$12.4	\$0.0	-\$8.2	10.9x	n/a	88.2x	n/a	n/a	n/a	
Goldmoney	TSX:XAU	\$1.96	\$152.7	\$52.2	\$104.2	\$376.1	\$318.2	\$322.8	\$361.1	\$1.0	-\$15.2	-\$3.1	-\$5.4	0.3x	0.3x	0.3x	n/a	n/a	n/a	
IOU Financial	TSXV:IOU	\$0.18	\$15.6	\$4.5	\$56.8	\$3.0	\$5.7	\$0.0	\$11.2	NA	NA	\$0.0	NA	10.0x	n/a	5.1x	n/a	n/a	n/a	
Katapult Tech	TSXV:FUND	\$0.30	\$20.2	\$1.9	\$21.7	\$1.1	\$1.2	\$0.0	\$1.5	\$0.0	-\$1.9	\$0.0	-\$1.7	17.7x	n/a	14.4x	n/a	n/a	n/a	
Marble	CNSX:MRBL	\$0.19	\$10.6	\$2.7	\$13.9	\$0.5	\$0.2	\$0.8	\$0.3	NA	NA	\$0.0	NA	73.0x	17.3x	45.0x	n/a	n/a	n/a	
Mobi724	TSXV:MOS	\$0.04	\$7.7	\$1.7	\$7.7	\$2.9	\$2.6	\$0.0	\$2.8	-\$6.5	-\$5.1	\$0.0	-\$4.1	3.0x	n/a	2.7x	n/a	n/a	n/a	
Mogo Inc.	TSX:MOGO	\$2.89	\$80.5	\$13.6	\$205.0	\$17.5	\$8.1	\$66.2	\$28.6	NA	NA	\$6.3	NA	25.3x	3.1x	7.2x	n/a	32.5x	n/a	
NamSys Inc.	TSXV:CTZ	\$0.94	\$25.6	\$4.4	\$21.3	\$3.0	\$3.4	\$0.0	\$4.1	\$1.3	\$1.5	\$0.0	\$1.7	6.3x	n/a	5.2x	13.8x	n/a	12.3x	
NetCent	CNSX:NC	\$0.61	\$38.1	\$2.2	\$36.0	\$0.1	\$0.1	\$0.0	\$0.2	-\$6.2	-\$8.5	\$0.0	-\$7.3	448.4x	n/a	181.4x	n/a	n/a	n/a	
Peak Positioning		CNSX:PKK	\$0.04	\$29.2	\$1.4	\$42.7	\$7.5	\$1.7	\$12.1	\$8.1	-\$3.4	-\$2.3	\$0.3	\$0.2	25.4x	3.5x	5.3x	n/a	142.3x	197.8x
Points Int'l.	TSX:PTS	\$18.65	\$242.6	\$54.3	\$192.1	\$332.3	\$351.7	\$399.0	\$389.1	\$8.6	\$13.6	\$21.2	\$18.8	0.5x	0.5x	0.5x	14.2x	9.1x	10.2x	
Prodigy Ventures	TSXV:PGV	\$0.12	\$14.0	\$2.2	\$12.1	\$12.1	\$16.9	\$0.0	\$20.0	\$0.6	\$0.3	\$0.0	\$0.6	0.7x	n/a	0.6x	40.6x	n/a	19.8x	
Solution Financial	TSXV:SFI	\$0.35	\$27.8	\$0.6	\$36.8	\$2.7	\$3.6	\$0.0	\$9.6	\$0.8	-\$0.2	\$0.0	\$0.8	10.1x	n/a	3.8x	n/a	n/a	48.2x	
VersaPay Corp	TSXV:VPY	\$2.69	\$118.5	\$4.8	\$124.7	\$3.0	\$4.7	\$8.8	\$7.7	-\$8.0	-\$12.3	-\$8.8	-\$11.5	26.3x	14.2x	16.1x	n/a	n/a	n/a	
Mean (excludes Rev. Multiple >10; EBITDA Multiple >50)															4.0x	1.9x	3.9x	22.9x	20.8x	22.6x
Median															10.1x	3.3x	5.3x	14.2x	32.5x	19.8x

Source: S&P Capital IQ; eResearch Corp.

Figure 26: U.S.-Listed Chinese Companies that Focus on FinTech and Lending Solutions in China

Name	Ticker	Close Mar 04	Mkt Cap US\$ (M)	Cash (US\$M)	EV (US\$M)	Revenue US\$ (M)			EBITDA US\$ (M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	LTM	2018A	2019E	LTM	2018A	2019E	LTM	2018A	2019E	LTM
U.S. Listed Chinese Companies																	
China Rapid Finance	NYSE:XRF	\$1.61	\$18.2	\$15.5	\$5.8	\$70.6	\$0.0	\$50.0	-\$60.6	\$0.0	-\$33.5	0.1x	n/a	0.1x	n/a	n/a	n/a
FinVolution	NYSE:FINV	\$1.89	\$580.1	\$305.3	\$299.8	\$3,842.0	\$5,623.8	\$5,995.6	\$1,948.8	\$2,376.3	\$2,814.9	0.1x	0.1x	0.1x	0.2x	0.1x	0.1x
Hexindai Inc.	NasdaqGM:HX	\$0.47	\$22.8	\$25.9	\$17.0	-\$1.0	\$0.0	\$14.6	\$27.0	\$0.0	-\$37.6	n/a	n/a	\$1.2	0.6x	n/a	n/a
Jianpu Tech	NYSE:JT	\$1.16	\$196.0	\$112.9	\$108.9	\$2,011.8	\$2,857.1	\$2,082.7	-\$154.2	\$65.2	-\$148.5	0.1x	0.0x	0.1x	n/a	1.7x	n/a
LexinFintech	NasdaqGM:LX	\$11.08	\$1,980.2	\$391.7	\$2,533.4	\$2,600.6	\$10,555.3	\$8,339.6	\$1,852.3	\$2,955.4	\$2,487.0	1.0x	0.2x	\$0.3	1.4x	0.9x	1.0x
Qudian Inc.	NYSE:QD	\$2.44	\$618.4	\$375.8	\$730.5	\$4,129.1	\$8,499.5	\$8,700.8	\$2,818.0	\$4,106.5	\$4,972.5	0.2x	0.1x	0.1x	0.3x	0.2x	0.1x
Senmiao Tech	NasdaqCM:AIHS	\$0.55	\$15.9	\$1.2	\$15.6	\$0.3	\$0.0	\$16.4	-\$1.3	\$0.0	-\$2.4	56.1x	n/a	\$0.9	n/a	n/a	n/a
X Financial	NYSE:XYF	\$1.34	\$213.7	\$130.2	\$139.4	\$3,317.1	\$3,302.2	\$3,315.6	\$1,501.2	\$0.0	\$1,040.4	0.0x	0.0x	0.0x	0.1x	n/a	0.1x
Yiren Digital	NYSE:YRD	\$4.11	\$387.4	\$368.3	\$64.2	\$5,620.7	\$1,183.0	\$2,934.3	\$1,964.9	\$155.7	\$2,070.2	0.0x	0.1x	\$0.0	0.0x	0.4x	0.0x
Mean (excludes Rev. Multiple >10; EBITDA Multiple >50)												0.2x	0.1x	0.3x	0.4x	0.6x	0.3x
Median												0.1x	0.1x	0.1x	0.2x	0.4x	0.1x

Source: S&P Capital IQ; eResearch Corp.

APPENDIX E: DCF ANALYSIS

Figure 27: PKK DCF Analysis

Peak Positioning DCF Analysis (US\$)	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (\$M)	1.7	12.1	35.3	53.1	58.4	64.2	70.6	77.7
Revenue Growth	-77.5%	616.6%	192.9%	50.3%	10.0%	10.0%	10.0%	10.0%
EBITDA (\$M)	-2.5	0.3	3.9	18.8	23.3	28.7	35.0	41.2
EBITDA Growth	-9.0%	112.3%	1172.6%	378.6%	24.0%	23.3%	21.6%	17.8%
EBITDA Margin	-148.8%	2.6%	11.1%	35.4%	39.9%	44.8%	49.5%	53.0%
Depreciation and Amort. (\$M)	0.6	1.4	0.9	0.7	0.2	0.1	0.1	0.1
EBIT (\$M)	-3.1	-1.0	3.0	18.1	23.1	28.6	34.9	41.1
NOPAT (\$M)	-3.8	-1.6	1.7	12.2	15.6	19.5	23.9	28.3
Plus Amortization (\$M)	0.6	1.4	0.9	0.7	0.2	0.1	0.1	0.1
Less Capital Expenditures (\$M)	(0.2)	(2.0)	(0.8)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Capital Intensity	11.3%	16.6%	2.3%	0.2%	0.0%	0.0%	0.0%	0.0%
Net Working Capital Changes (\$M)	-9.2	5.4	-1.1	-1.6	-1.1	-1.2	-1.3	-1.3
EPS (Continuing)	-0.01	0.00	0.00	0.01	0.02	0.02	0.03	0.03
Unlevered Free Cash Flow (\$M)	-12.6	3.1	0.7	11.2	14.8	18.5	22.7	27.0
PV of Unlevered FCFs (\$)	-14.1	3.1	0.6	9.4	11.3	12.8	14.3	15.5

Valuation Assumptions:

Discount Rate	10%
Terminal Multiple	9.0x

Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	63.9	69.6	65.2
Terminal Value (\$M)	370.7	370.7	370.7
PV of Terminal Value (\$M)	212.6	233.9	257.3
Net (debt) cash position	15.6	15.0	23.8
Total Value (\$M)	292.2	318.6	346.3
DCF Value/Share	0.28	0.31	0.33
FD Shares O/S (M)	1,035.1	1,035.1	1,035.1

Source: Company Reports and eResearch Corp.

APPENDIX F: RISKS

Peak's initial business in China was established in 2016 but has grown into six business units as of February 2020. Each business unit is subject to the risks inherent with establishing a new business, including execution of the company's strategy, dealing with competitive pricing pressures from incumbents, limited capital resources, and cash flow constraints. Other risks include the following.

Business and Operating Risks:

- Peak has launched six business units in China since 2016; if the Company fails to effectively manage its growth, it will negatively impact its business plan.
- Peak's platforms depend on participation from third parties, including lenders and borrowers. If the Company was unable to collect loan payments or these payments did not increase as the Company's costs increased, the financial condition of the Company may be adversely affected. If lenders did not provide capital for loans, then the Company could not collect transactional fees or loan interest and revenue would be negatively affected.
- Peak depends on third parties, such as Cubeler Inc., to provide certain components of its lending gateway. If any third-party agreement is terminated or there are any increased costs associated with the third-party agreements, then these events may negatively affect the Company's financial condition and/or ability to continue operations.
- The Cubeler Lending Hub licensing contract was signed in 2017 and the term is ten years.
- As Peak operates in China, the Company faces foreign currency exchange rate fluctuations that could negatively affect the Company's results.

Financial Risks:

- Peak has only limited funds and currently has six operating units that require funds for growth.
- Peak has incurred negative Net Income in the past five years and is not guaranteed to achieve profitability on a going-forward basis. Although Cash Flow from Operations was positive in the last quarter, the Company may require capital resources to complete acquisitions and grow its operations.
- Peak has approximately \$3,500,000 of convertible debentures, for which repayment funds may be needed if the debentures are not converted to common shares prior to their maturity date in December 2020.
- Peak has over 700 million shares outstanding which impacts earnings-per-share and could possibly lead to a share consolidation in the future.

Legal and Regulatory Risks:

- Financial and Lending operations in foreign countries, states and regions often require licenses and any restriction or change in the legal requirements could adversely affect revenues and profits.
- Any security or privacy breach involving unauthorized access to customer data or the Company's lending platform may reduce demand for Peak's solutions and/or may result in significant fines or regulatory compliance issues.
- The protection of Peak's intellectual property is important in preventing third parties from using its proprietary technologies and weakening its competitive advantage.

Sales and Marketing Risks:

- Failure by Peak to effectively develop and expand its sales or enhance its brand could adversely affect its operating results.
- There is revenue concentration risk as operations in China generate all revenue.
- Peak's platforms are dependent on lenders, borrowers and third parties transacting on the platform; if the Company is unable to maintain successful relationships with the platforms' participants, its operating results could be adversely affected.
- There is strong competition in the lending industry in China and if Peak is unable to effectively compete for lenders and borrowers, its business and profitability may be adversely affected.

Technology Risks:

- Peak needs to continually innovate to keep ahead of customer preferences, compliance, and loan matching technology. As Peak grows its new business units, there is a risk that the Company may not be able to successfully scale its technology.

APPENDIX G: MANAGEMENT & BOARD OF DIRECTORS

Management

Mr. Johnson Joseph, President and Chief Executive Officer – Peak Positioning Technologies

Johnson Joseph has held the role of President and CEO of Peak since 2011. Mr. Joseph has been integral to its transition from a software development company to managing IT assets within the Chinese Technology industry. Prior to Peak, Mr. Joseph gained eight years of experience in the financial services industry as an advisor with Investors Group, one of Canada's largest mutual fund and asset management companies. Mr. Joseph received a Bachelor of Business Administration Degree in Finance from Texas Tech University and an MBA from HEC Montréal, Canada.

Mr. Liang Qiu, Chief Executive Officer – Peak Group China

Liang Qiu has held the role of CEO at Asia Synergy Technologies since 2016 and is responsible for the company's business strategy in addition to being the main liaison between Peak and all of Peak's Chinese-based operations. Prior to AST, Mr. Qiu co-founded LongKey Software Technology, a cloud-based SaaS company that provides business management applications and financing qualification support to small- and medium-sized businesses. At LongKey, Mr. Qiu developed relationships with some of China's largest telecom and financial institutions, and oversaw all technical infrastructure while analyzing client needs to facilitate compatible solutions. Mr. Qiu has received a Master's Degree in Computer Science from McGill University in Montréal, Canada

Mr. Jean Landreville, Chief Financial Officer – Peak Positioning Technologies

Jean Landreville has 30 years of experience in finance and operational management within Europe and Canada for various SMEs and large corporations within the manufacturing and service sectors. Prior to Peak, Mr. Landreville was the Director of Finance for a manufacturing company based in France where he managed financing and financial operations. In Canada, Mr. Landreville was a General Manager and VP of Finance where he supported business growth strategy, negotiations of contracts, and business process optimization. Mr. Landreville received a Bachelor of Business Administration Degree in Accounting from HEC Montréal, Canada, and is a CPA/CA.

Mr. Bin Xu, Director of Finance – Peak Group China

Bin Xu has over 10 years of experience in finance with experience as a Financial Auditor with Ernst and Young in Shanghai and as the Finance Manager of a Shanghai-based international garment exporter. Mr. Xu has experience in managing relationships with the Chinese government and regulatory authorities. In 2015, he moved to Montreal and worked as a Financial Analyst at BNP Paribas Canada before joining Peak. Mr. Xu is a CPA/CGA and holds an MBA from HEC Montréal, Canada.

Mr. Changsheng Zhuo, Chief Executive Officer – Asia Synergy Financial Capital (ASFC)

Changsheng Zhuo has over 15 years of experience in the financial services industry after he founded and served as the Chairman of Shanghai Chinguan Industrial, which provided financial consulting and loan insurance services to SMEs in the apparel and supply-chain industries. Prior to becoming CEO of ASFC in June 2018, Mr. Zhuo served as the general manager of financial services company Jiu Dong Ltd., which is Peak's minority partner (49%) in ASFC. Mr. Zhuo received a Bachelor's degree in Computer Science from Central University of Finance and Economics in Beijing, China.

Mr. Jiangang Qiu, Chief Executive Officer – Asia Synergy Credit Solutions (ASCS)

Jiangang Qiu has more than 25 years of financial services industry experience and has occupied various positions at Chinese banks and financial institutions, including serving as Director of Credit at Ping An Bank. In 2015, after several years as an executive at China Construction Bank, he founded Wenyi Financial Services. Wenyi provided credit outsourcing services to help banks meet the credit needs of SMEs. In December 2018, Peak acquired Wenyi's operations and transferred them to ASCS. Mr. Qiu was appointed CEO of ASCS. Mr. Qiu is a Certified Financial Planner and holds a Bachelor's degree in Finance from Nanjing University of Finance and Economics in Nanjing, China.

Mr. Haiqing Li, Chief Executive Officer – Asia Synergy Supply Chain (ASSC)

Haiqing Li has more than 18 years of experience in the supply-chain and financial services industries in China and founded Jiangsu Zhongpu Financial Outsourcing Service Ltd. (ZFOS). ZFOS provides supply-chain and logistic services to the supply-chain industry in Jiangyin, China. In June 2019, ZFOS and Peak's subsidiary Asia Synergy Data Solutions (ASDS) merged to create Asia Synergy Supply Chain (ASSC). After the merger, Mr. Li was named CEO of ASSC. Mr. Li received a Bachelor's degree in Business Administration and a Master's degree in Management Science from Suzhou University of Science and Technology in Suzhou, China.

Ms. Mei Li, Banking Business Development Manager – Peak Group

Mei Li spent almost 20 years working at some of the largest banks in China, including the Industrial and Commercial Bank of China (ICBC) and Ping An Bank, and has extensive knowledge of the country's banking sector. Ms. Li moved to Montreal in 2017 and joined the Peak Group in the fall of 2019. Ms. Li graduated from the University of International Business and Economics in Beijing, China, where she obtained a Bachelor's degree in Economics and International Trade.

Mr. André-Philippe Chenail, VP International Operations – Peak Group

André-Philippe Chenail joined Peak in December 2019 after having spent seven years with the Canada-China Business Council (CCBC), where he supported the strategic development of foreign enterprises in China. During his time at the CCBC, Mr. Chenail held both the positions of Director, Quebec Chapter as well as Director, Shanghai Chapter. In those roles he was primarily in charge of sustained membership growth, defining and implementing member service programs, strategic development, and regulatory analysis in order to support the commercial development of CCBC members in China and Canada. As Vice-President of International Operations at Peak, Mr. Chenail helps identify the needs of foreign enterprises, either already operating in China or looking to operate in China, which can be met by Peak's subsidiaries in China, develop strategic initiatives to help meet those needs, and contribute to the overall strategic vision and execution of Peak's business plan.

Mr. Tiegang Li, Chief Executive Officer – Jinxiaoer

Tiegang Li started his career in the financial services industry in 2013 as Risk Control Director at Shanghai-based Financial Confidence Service Ltd. While there, he undertook the task of building a standardized risk control system that included borrower qualification scoring and risk control features. He went on to launch and operate Yatland Business Consulting Co., Ltd., a company active in the realm of vehicle and mortgage loan assistance. He eventually returned to Financial Confidence Service Ltd. as the company's National General Manager where he managed 93 branch offices throughout China, all providing vehicle and mortgage loan related services. He eventually left that position to create Jinxiaoer in 2016 and grew the platform to over 40,000 registered loan sales reps by the end of 2018. Mr. Li attended Shanghai Ocean University where he obtained a Bachelor's degree in Logistics Management.

Board of Directors

Mr. Charles-André Tessier, LL.L, Chairman

Charles-André Tessier has been a Director and Chairman of the Board of Peak since 2011. Mr. Tessier is an experienced business lawyer and advisor focused on the information technology, telecom, and manufacturing sectors. In addition to having sat on the Executive Committee of the Association of Canada General Counsel, Mr. Tessier is also on the board of several private, public, and non-profit companies. Mr. Tessier holds a Civil Law Degree and received a Bachelor's of Arts Degree in Administration from the University of Ottawa, Ontario, Canada, and is a member of the Barreau du Quebec since 1980.

Mr. Laval Bolduc, Director

Laval Bolduc has been a Director of Peak since 2011. Mr. Bolduc was previously Peak's CFO from February 2011 to January 2018, and has more than 35 years of experience as a corporate manager with management and executive positions in auditing, accounting, information control, corporate finance, project management, contract negotiations, and procurement of processes for government and private sector partnerships. Mr. Bolduc received a Bachelor of Arts degree in Accounting from the University of Sherbrooke, Quebec, Canada, and is a CPA/CA.

Mr. Mark Dumas, Director

Mark Dumas has been an Independent Director of Peak since 2014. Mr. Dumas is a technology investor, entrepreneur, and executive with experience in satellite mobile, e-commerce technologies, and gaming theory. He was the founder of SPADA, a U.S. defense contractor that provided services to clients including geospatial analysis, data mining, and predictive analysis. After selling SPADA to GeoEye in 2010, Mr. Dumas became Chairman and CEO of PlayCall Inc., a football gaming software company. He also sits on the board of Weather Analytics, a climate intelligence company. Mr. Dumas received a Bachelor of Science degree in Electrical Engineering from Mississippi State University, Mississippi, U.S.

Mr. Johnson Joseph, Director

Johnson Joseph has been a Director of Peak since 2011.
See his biography in the Management section.

Mr. Liang Qiu, Director

Liang Qiu has been a Director of Peak since 2017.
See his biography in the Management section.

APPENDIX H: RECENT NEWS RELEASES

Peak Officially Enters Shanghai Credit Market

February 24, 2020

Peak announced that its ASDS subsidiary has officially entered the Shanghai credit market through a relationship with the Midai Group (www.midaigroup.com), a well-established Shanghai-based financial group whose offering includes providing financing and leasing services to the automotive industry.

Peak Subsidiaries Resume Operations

February 20, 2020

Peak announced that all of its Chinese operating subsidiaries, with the exception ASSC, have resumed their operations following the cancellation of government-imposed limitations of non-essential business operations due to the coronavirus. ASSC's operations are expected to resume on February 24, 2020.

Peak CEO Pens Letter to Shareholders Clarifying the Company's Three-Year Forecast Press Release

February 18, 2020

Peak announced that the Company's CEO wrote a letter to its shareholders related to the financial forecast published by the Company earlier that day.

Peak Releases Three-Year Forecast Projecting Rapid Growth and Increased Profitability

February 18, 2020

Peak released its revenue and EBITDA projections for 2020-2022, which are summarized in the table below.

	2020	2021	2022
Revenue	\$40,000,000	\$55,000,000	\$80,000,000
EBITDA	\$4,000,000	\$22,000,000	\$55,000,000

The projections for the upcoming three years were adjusted to reflect the developments that happened in 2019 and what has transpired so far in the first half of Q1/2020, including the effects of the coronavirus on overall business in China.

Peak Closes Private Placement to Help Fund Acquisition of Jinxiaoer Platform

February 5, 2020

Peak announced that it has closed a non-brokered private placement financing consisting of the sale of 14,400,000 units at a price of \$0.04 per unit for gross proceeds of \$576,000.

Peak Releases Outlook for Q1/2020

February 4, 2020

Peak provided a general outlook for what its shareholders can expect in Q1/2020, based on thorough evaluation of the Company's successes in 2019 as well as near-term plans.

Peak Engages Mackie Research as Financial and Capital Markets Advisor

January 10, 2020

Peak announced that it has engaged Mackie Research Capital Corporation as a financial and capital markets advisor to the Company.

Peak Future Service Centre Signs Representative Agreement with Four New Banks

December 19, 2019

Peak announced that one of its soon-to-be loan service centres in Shanghai has become an authorized representative of Xiamen International Bank (www.xib.com.cn), China Everbright Bank (www.cebbank.com), Huaxia Bank (www.hxb.com.cn), and Shanghai Hongdu Rural Bank (www.shjdrb.com).

Peak Acquires Patented Loan Brokerage Platform with over 40,000 Registered Reps**December 3, 2019**

Peak announced that it has acquired the popular Jinxiaoer loan brokerage and commission paying platform from Jinxiaoer Technology Ltd. Peak has agreed to pay \$600,000 in cash and \$800,000 in Peak common shares over a period of 18 months for a 70% equity stake in Jinxiaoer.

Peak Welcomes Former Canada China Business Council Director to its Management Team**November 22, 2019**

Peak announced that former Quebec and Shanghai Chapter Director of the CCBC, Mr. André-Philippe Chenail, has accepted to serve as the Company's Director of International Operations and will join its management team at its Montreal Head Office.

Peak Files Q3/2019 Results, Records First Operating Profit and Doubles Revenue for Second Consecutive Quarter**November 19, 2019**

Peak announced its financial results and operating highlights for the three-month and nine-month periods ended September 30, 2019. The Company generated positive cash flow from operations, recorded its first operating profit since launching its financial services in China, and doubled its previous quarter revenue for the second consecutive quarter.

Peak Adds Former ICBC and Bank of East Asia Manager to its Management Team**October 22, 2019**

Peak announced that former Industrial and Commercial Bank of China (ICBC) and Bank of East Asia manager, Ms. Mei Li has joined the Company's management team at its Montreal Head Office where she will occupy the position of Banking Business Development Manager.

Peak Subsidiary ASDS and Partners Team Up to Help Xian Taxi Drivers Upgrade Their Fleets**October 7, 2019**

Peak's ASDS subsidiary has teamed up with car dealer Fenghui Automobile Service Company ("FASC") and Shanghai Industrial Financial Leasing ("SIFL") to create a program that allows taxi drivers in Xi'an, the capital of Shaanxi Province, China, to lease vehicles from FASC, financed by SILF based on credit analysis conducted by ASDS.

ICBC Becomes Second Bank to Use Peak Subsidiary ASDS' Credit Reports for Loans in Xi'an**September 30, 2019**

Peak announced that the ICBC has joined a financing program from car dealer FASC where credit analysis reports produced by the Company's ASDS subsidiary are used to qualify FASC clients for financing.

Peak Subsidiary ASSC Welcomes New Clients and Facilitates First Credit Transactions**September 24, 2019**

Peak announced that its ASSC subsidiary recently began providing credit analysis reports on Jiangyin Longding Decoration Materials Company Ltd. and Jiangyin Golden Bridge Chemical Company Ltd. and their clients and suppliers to help qualify them for loans and credit from ASSC's lending partners.

Peak's Subsidiary ASCS Launches WeChat Mini Program**September 11, 2019**

Peak's subsidiary ASCS announced the launch of its WeChat Mini Program which will enable quick loan qualification assessments for borrowers from any of the ASCS lending clients. WeChat has over 1 billion monthly active users and developing a WeChat Mini program on its platform is standard for any business operating in China.

APPENDIX I: ERESEARCH DISCLOSURE

eRESEARCH CORPORATION

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ANALYST ACCREDITATION

eResearch Analyst on this Report: Chris Thompson CFA, MBA, P.Eng.

Analyst Affirmation: I, Chris Thompson, hereby state that, at the time of issuance of this research report, I do not own common shares, share options or share warrants of Peak Positioning Technologies Inc. (CNSX:PKK).

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Peak Positioning Technologies Inc. paid eResearch a fee to have it conduct research and publish reports on the Company for one year.

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