GUNPOWDER
CAPITAL CORP

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2016 and 2015

(Unaudited - Prepared by Management)

August 29, 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GUNPOWDER CAPITAL CORP.
(Formerly Silver Shield Resources Corp.)
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
(Unaudited-Prepared by Management)

		JUNE 30, 2016		DECEMBER 31,2015
ASSETS				
CURRENT				
Cash	$	479,052	$	171,961
Accounts and other receivable (Note 3)		36,563		21,618
Prepaid expenses and deposits		31,369		17,000
Notes receivable (Note 4)		210,058		-
TOTAL CURRENT ASSETS		757,042		210,579
MINERAL PROPERTIES (Note 5)				
Mineral claims		125,500		125,500
Deferred exploration costs		828,675		828,675
EQUIPMENT (Note 7)		3,989		4,466
BUILDINGS AND IMPROVEMENTS (Note 8)		464,791		-
LONG TERM INVESTMENT (Note 6)		128,820		138,000
TOTAL ASSETS	$	2,308,817	$	1,307,220
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	299,085	$	245,649
Royalties payable (Note 5)		276,026		276,026
Due to related parties (Note 10)		5,374		144,791
Loans payable current portion (Note 11)		5,502		-
TOTAL CURRENT LIABILITIES		585,987		666,466
LONG TERM MORTGAGE LOAN PAYABLE (Note 11)		273,998		-
TOTAL LIABILITIES		859,985		666,466
SHAREHOLDERS' EQUITY (Note 9)				
Preferred stock		552,460		-
Common stock		6,515,363		5,992,533
Contributed surplus		1,311,460		1,311,460
Warrants		378,125		190,939
Deficit		(7,308,577)		(6,746,478)
TOTAL SHAREHOLDERS' EQUITY		1,448,831		640,754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	2,308,817	$	1,307,220

Description of business (Note 1)
Going Concern (Note 2(c))

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy"
DIRECTOR

Signed "Stephen Mlot"
DIRECTOR

The accompanying notes are integral part to these interim condensed consolidated financial statements.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited-Prepared by Management)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
INCOME				
Interest	$ 6,343	$ -	$ 18,538	$ -
Consulting fees	15,851	-	15,851	-
TOTAL INCOME	22,195	-	34,389	-
EXPENSES				
Management fees	91,062	-	142,347	-
Consulting and other professional fees	140,738	-	164,958	-
Stock based compensation expense	107,700	-	107,700	-
Legal and audit fees	4,939	-	12,984	-
Marketing and investor relations	41,197	-	49,855	-
Travel and accommodations	37,464	-	37,464	-
Transfer agent and filing fees	13,062	3,362	48,143	22,575
General, office and administrative	6,102	7,693	18,325	12,362
Loan interest	-	3,678	-	10,196
Royalty expenses	-	13,500	-	27,000
Property taxes	1,393	-	1,393	-
Bank service charges	352	41	511	62
NET LOSS BEFORE OTHER ITEMS	(406,814)	(28,274)	(549,291)	(72,195)
Amortization	(251)	(287)	(477)	(573)
Foreign exchange loss	(1,306)	(287)	(7,329)	(573)
	(1,557)	(287)	(7,806)	(573)
LOSS FOR THE PERIOD	(408,371)	(28,561)	(557,097)	(72,768)
COMPREHENSIVE LOSS	$ (408,371)	$ (28,561)	$ (557,097)	$ (72,768)
Basic and diluted loss per share	$ (0.02)	$ (0.00)	$ (0.03)	$ (0.00)
Weighted average number of shares outstanding – basic and diluted (Note 9):				
	21,885,365	8,257,035	19,616,665	8,257,035

The accompanying notes are integral part to these interim condensed consolidated financial statements.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

(Unaudited-Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2015	17,304,954	$5,992,533	$1,203,760	$190,939	$(6,746,478)	$640,754
Net loss for the period	-	-	-	-	(557,097)	(557,097)
Preferred stock issued in Private placement	55,246	552,460	-	-	-	552,460
Common stock issued in Private placement	6,355,980	635,598	-	-	-	635,598
Common stock issued for debt	1,248,322	96,618	-	-	-	96,618
Costs of issue	-	(22,200)	-	-	-	(22,200)
Dividends paid	-	-	-	-	(5,002)	(5,002)
Share based payments	-	-	107,700	-	-	107,700
Issuance of warrants	-	(187,186)	-	187,186	-	-
Balance, June 30, 2016	24,964,502	$7,067,823	$1,311,460	$378,125	$(7,308,577)	$1,448,831

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2014	82,570,349	$5,245,466	$1,311,460	$ -	$(5,220,749)	$1,228,477
Net loss for the period	-	-	-	-	(1,525,729)	(1,525,729)
Rollback of common shares	(74,313,314)	-	-	-	-	-
Common stock issued to extinguish debt	3,328,625	332,862	-	-	-	332,862
Common stock issued in Private placement	5,719,294	610,144	-	-	-	610,144
Costs of issue	-	(5,000)	-	-	-	(5,000)
Issuance of warrants	-	(190,939)	-	190,939	-	-
Balance, December 31, 2015	17,304,954	$5,992,533	$1,311,460	$190,939	$(6,746,478)	$640,754

The accompanying notes are integral part to these interim condensed consolidated financial statements.

GUNPOWDER CAPITAL CORP.
(Formerly Silver Shield Resources Corp.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited-Prepared by Management)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Loss for the period	$ (408,371)	$ (28,561)	$ (557,097)	$ (52,936)
Items not involving cash:				
Share based compensation	107,700	-	107,700	-
Amortization	251	287	477	573
Unrealised foreign exchange loss	1,050	-	9,180	-
Changes in working capital items other than cash:				
Notes receivable	(65,683)	-	(210,058)	-
Trade and other receivable	(39,448)	-	14,895	-
Prepaid expenses and deposits	(16,531)	(5,250)	(12,066)	(5,250)
Accounts payable and accrued liabilities	(9,833)	(2,168)	(1,564)	(7,700)
Royalties payable	-	13,500	-	27,000
Due to related parties	(76,617)	823	(84,417)	823
	(507,481)	(21,369)	(732,949)	(37,490)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Proceeds from issuing of preferred shares	502,220	-	552,460	-
Proceeds from issuing of capital stock and warrants, net of issuance costs	651,708	37,000	677,608	37,000
Cash dividends paid to stockholders	(5,002)	-	(5,002)	-
Proceeds from borrowings on long-term debt	279,500	-	279,500	-
Proceeds from borrowings on short-term projects	-	21,238	-	57,260
Principal payment on project debt	(138,875)	-	-	-
	1,289,550	58,328	1,504,565	94,260
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Purchase of investment property	(464,525)	-	(464,525)	-
	(464,525)	-	(464,525)	-
CHANGE IN CASH AND CASH EQUIVALENTS	317,543	36,969	307,090	36,938
Cash and cash equivalents (Deficiency), beginning of period	161,509	(82)	171,961	(61)
Cash and cash equivalents (Deficiency), end of period	$ 479,052	$ 36,877	$ 479,052	$ 36,877

The accompanying notes are integral part to these interim condensed consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Gunpowder Capital Corp. ("GPC" or the "Company") (formerly Silver Shield Resources Inc.) is a newly formed Merchant Bank and Advisory Services Firm. In May 2016 Gunpowder Capital Corp. implemented its new business model under the leadership of a new management team.

The Company is a reporting issuer in Ontario, Alberta and British Columbia and trades on the Canadian Securities Exchange under the symbol "GPC".

As a merchant bank and advisory services firm, Gunpowder provides financial capital and capital markets advisory services. The Company offers a variety of financing options including mezzanine debt, bridge loans, convertible debentures and straight loans as well as equity financing. Our goal when investing is to as best as possible ensure the preservation of capital and structure upside for our stakeholders through participation opportunities such as royalties, equity or options. Our main focus with advisory services is to assist companies that are interested in going public, however, we are also involved with capital markets advisory services and advising on mergers and acquisitions.

The Company's corporate office and principal place of business is 47 Colborne Toronto Street, Suite 307, Toronto, Ontario, Canada, M5E 1P8.

At the end of the second quarter, GPC incorporated two new subsidiaries, GP Self Storage Inc. and GP Reality Inc. division. The Company believes that current and planned investments in these segments will complement our core business and provide excellent long term investment for our shareholders.

2. BASIS OF PRESENTATION

(a) Statement of Compliance to International Financial Reporting Standards

The interim condensed consolidated financial statements of the Company have been prepared in accordance with the International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. These interim condensed consolidated financial statements have been prepared in accordance with the significant accounting policies and with the principles of consolidation described in Notes of the Company's consolidated financial statements as at and for the year ended December 31, 2015.

These interim condensed consolidated financial statements have been prepared on a historical basis using the accrual basis of accounting, except for cash flow information.

(b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as explained in the annual financial statements. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements remain unchanged from those disclosed in our year end the financial statements.

(c) Going Concern of Operations

The Company historically has not generated revenue from operations. The Company incurred a net loss of $557,097 during the quarter ended June 30, 2016 ($1,525,729 during the year ended December 31, 2015) and, as of that date the Company's deficit was $7,308,577 ($6,746,478 – December 31, 2015). The Company had transferred to a merchant banking model and is dependent on obtaining new customers and making profitable investments to generate profit. The

2. BASIS OF PRESENTATION *(continued*)

Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. ACCOUNTS AND OTHER RECEIVABLE

Accounts receivable consists of $21,019 of HST receivable from the Government of Canada and $15,544 of loan interest receivable.

4. NOTES RECEIVABLE

On February 19, 2016, the Company loaned $150,000 to Cardiff Energy Corp. Cardiff will use the proceeds to acidize their Clayton #1H well located in the state of Texas. The loan is secured by a first ranking General Security Agreement on the assets of Cardiff including its US operations. The loan bears an interest rate of 24% per annum and is repayable in twelve equal monthly instalments beginning 30 days from the date of funding. Furthermore, also Cardiff granted the Corporation 250,000 stock options at a price of $0.05 and a 1.25% gross overriding royalty on the Clayton #1H well.

On May 19, 2016 the Company loaned Advantagewon Inc. $77,250. The loan includes a lenders fee of 3% and bears interest at a rate of 15% per annum. The loan is repayable in twelve equal monthly instalments beginning June, 2016.

On June 20, 2016, the Company loaned USD$26,250 to a resident of the City of Houston Texas. The loan includes a lenders fee of 5% and bears interest at a rate of 24% per annum. The loan is secured by shares of a private oil company.

5. MINERAL PROPERTIES

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveying history characteristics of many mineral properties. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

The Company enters into exploration agreements whereby they may earn an interest in certain mineral properties by issuing Common Shares, making cash option payments and/or incurring expenditures in varying amounts by specified dates. Failure by the Company to meet such requirements can result in a reduction of ownership interest.

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES *(continued)*

The Company's mineral property interests consist of various early stage exploration projects as detailed below:

Mineral Claims		**June 30, 2016**		December 31, 2015
Welsh Silver Mine	**$**	**38,000**	$	38,000
Lost Dog Property		**87,500**		87,500
	$	**125,500**	**$**	125,500

Deferred Exploration Costs		**June 30, 2016**		December 31, 2015
Welsh Silver Mine	**$**	**389,154**	$	389,154
Lost Dog Property		**439,521**		439,521
	$	**828,675**	**$**	828,675

(a) Welsh Silver Mine, Ontario

The Welsh Silver Mine Property, consisted of one mining lease and nine mining claims is located in Mickle Township near the Town of Elk Lake in Ontario. Under the terms of the Welsh Property Option Agreement dated July 17, 2006, the Company can earn a 100% interest in the property. The Company paid the vendor a cash payment of $20,000 upon signing the agreement plus an additional $20,000 in July 2007, and has issued to the vendor 400,000 common shares valued at $46,000. The Company was also required and has satisfied the $50,000 expenditure commitment. The Company has paid the vendor an additional $40,000 and 260,000 common shares July 17, 2008. A 2% Net Returns Royalty ("NSR") is on the property with advance royalties being due of $30,000 per year commencing in 2009.

During 2015, the Company allowed 8 mining claims in Mickle Township to lapse, but value still remained on the mining lease. Management has taken an impairment charge of $114,000 of the acquisition costs and a charge of $1,136,000 against the deferred exploration costs in 2015.

(b) Lost Dog Property, Ontario

On December 2, 2009, the Company entered into an agreement to acquire 36 mining claims in Denton Township, 30 kilometres south-west of Timmins, Ontario. Under the terms of the agreement, the Company can acquire a 100% interest in the property by paying the vendors $10,000 and issuing to the vendors 250,000 common shares of the Company upon regulatory acceptance (paid cash and issued common shares subsequent to year-end on January 23, 2010), an additional $20,000 and 250,000 common shares have been paid and issued. An additional $20,000 and 250,000 common shares were to be paid prior to December 31, 2011. The vendors of the property will retain a 2% NSR which the Company has the right to purchase 1% NSR at any time for $1,000,000. The Company has paid with the acceptance of the vendors the shares and cash payments due. These payments were made in March 2012 and accepted by the vendors. The property is now owned 100%.

(Expressed in Canadian Dollars)

6. LONG-TERM INVESTMENT

On July 26, 2015 the Corporation had an agreement with Rock Vapor Technologies Inc. ("RVT") to purchase 80,000 shares of RVT at a cost of USD$1.25 per share for a total purchase price of USD$100,000. These shares were sold in pursuant to the terms of Regulation S of the Securities Act of 1933, as amended. The shares will be restricted indefinitely until Rock Vapor Technologies Inc. takes the necessary steps to become a publicly traded entity, at which time the restrictions may only be lifted pursuant to an effective registration statement or exemption statement or an exemption to the registration requirements. While restricted, the shares may not be traded in the United States or in Canada.

7. EQUIPMENT

		Cost		Accumulated Amortization		**Net Book Value**
Equipment	$	18,035	$	14,046	$	**3,989**
Computer equipment		6,225		6,225		**-**
Balance, June 30, 2016	**$**	**24,260**	**$**	**20,271**	**$**	**3,989**

		Cost		Accumulated Amortization		Net Book Value
Equipment	$	18,035	$	13,603	$	**4,432**
Computer equipment		6,225		6,191		**34**
Balance, December 31, 2015	**$**	**24,260**	**$**	**19,794**	**$**	**4,466**

8. BUILDINGS AND IMPROVEMENTS

On June 30, 2016, Gunpowder Capital Corp. formed GP Realty Inc. and purchased its first property, 57 Wellington St., a fully tenanted residential rental property located in London, Ontario.

Total purchase price of the property was $450,000 and an aggregate $14,791 of capitalized expenses such as legal fees and other costs connected with the property purchase has been added to the cost of the building.

9. SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized - Unlimited number of common shares. Unlimited number of preferred shares issuable in series.

The Company's share capital outstanding as at and for the period ended June 30, 2016 are as follows:

Preferred stock:	Number of Shares	Amount
Preferred stock issued in Private placement		
Balance, June 30, 2016	**55,246**	**$552,460**

Common stock:	Number of Shares	Amount
Balance, December 31, 2015	17,304,954	$5,922,533

(Expressed in Canadian Dollars)

Common stock issued in Private placement	6,355,980	635,598
Common stock issued to extinguish debt	1,248,322	96,618
Amount allocated to warrants	-	(187,186)
Share issue costs	-	(22,200)
Balance, June 30, 2016	**24,909,256**	**$6,445,363**

9. SHAREHOLDERS' EQUITY *(continued)*

On February 8, 2016, the Company initiated a non-brokered private placement financing to raise a maximum $3,000,000 by sale of 300,000 Series "A" Preferred Shares at a price of $10 per share. The Series "A" preferred shares will pay up to an 8% annual dividend to the holders of the preferred shares. Holders of the Preferred Shares will also have a 25% of after tax realized gains on any capital dispositions. No special voting rights will be granted to the holders of the Preferred Shares. In conjunction to the Preferred Shares private placement offering, the Company was conducting a non-brokered common share private placement financing to raise a maximum of $1,000,000 common share units at a price of $0.10 per unit. Each unit is comprised of one common share of the Corporation, and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date.

On February 29, 2016, the Company closed the first tranche of the non-brokered Private Placement offerings which were announced on February 8, 2016. In total, $81,140 was raised via the sale of 359,000 units at $0.10 per unit, and via the sale of 4,524 Series "A" Preferred Shares at $10 per share. No commissions or finder's fee is payable with respect to the closing of this first tranche of the placements. Each unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date.

On March 29, 2016, the Company closed the second tranche of the concurrent non-brokered Private Placement offerings which were announced on February 8, 2016. In total, $64,000 was raised via the sale of 50,000 units at $0.10 per unit, and via the sale of 5,900 Series "A" Preferred Shares at $10 per share. No commissions or finder's fee is payable with respect to the closing of this first tranche of the placements. Each unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date.

On April 19, 2016, GPC closed the third tranche of the concurrent non-brokered Private Placement offerings, which were announced on February 8, 2016. In total, $184,000 was raised from sale of 385,000 units at $0.10 per unit, and from sale of 14,590 Series "A" Preferred Shares at $10 per share. Each unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date.

On Apr 29, 2016, GPC closed the Fourth Tranches of its concurrent non-brokered Private Placement offerings. In total, $604,000 was raised from sale of 3,150,000 units at $0.10 per unit, and from sale of 28,900 Series "A" Preferred Shares at $10 per share. No commission or finder's fee is payable with respect to the closing of this tranche of the placements. Each unit is comprised of one common share of the Corporation, and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date.

On May 16, 2016, the Company closed the Fifth and Final Tranche of its concurrent non-brokered Private Placement offerings. In total, $241,518 was raised via the sale of 2,286,980 units at $0.10 per unit, and via the sale of 1,282 Series "A" Preferred Shares at $10 per share. No commission or finder's fee is payable with respect to the closing of this tranche of the placements. Each unit is comprised of one common share of the Corporation, and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date.

In total, the Company raised $1,175,558 between the two offerings.

(Expressed in Canadian Dollars)

The Company had issued an aggregate of 866,175 common shares at a deemed prices of $0.10 and $0.20 per share to settle debts owed to arm's length and non-arm's length parties. All shares issued in connection with the shares for debt transaction are subject to a four-month statutory hold period, in accordance with applicable securities legislation.

9. SHAREHOLDERS' EQUITY *(continued)*

In addition, the Corporation had issued an aggregate of 382,147 common shares at a deemed prices of $0.15 per Share to settle debts owed to non-arm's length parties. All Shares issued in connection with the shares for debt transaction are subject to a four-month statutory hold period, in accordance with applicable securities legislation.

WARRANTS

The number of share purchase warrants represents the number of shares that may be acquired on the exercise of the outstanding warrants.

As at June 30, 2016 the following purchase warrants were outstanding:

	Number of Warrant Shares		Fair Value Warrants		Weighted Average Exercise Price
Balance, December 31, 2014	NIL	$	NIL	$	NIL
Issued during 2015	2,859,647		190,939		0.163
Balance, December 31, 2015	2,859,647	$	190,939	$	0.163
Issued during the period	3,177,990		187,186		0.150
Balance, June 30, 2016	**6,037,637**	**$**	**378,125**	**$**	**0.156**

The fair value at the issue date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the warrant, the impact of dilution, the share price at the issue date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the warrant. The Company issued all warrants an exercise price equal to or greater than the market value of the underlying common shares on the date of issue.

a) 2,477,500 warrants have an exercise price of $0.15 and were assigned an aggregate fair value of $138,687 using the Black Scholes pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of .98%; a dividend yield of Nil%: and 12 months expected term.

b) 382,147 warrants have an exercise price of $0.25 and were assigned an aggregate fair value of $52,252 using the Black Scholes pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of .98%; a dividend yield of Nil%: and 48 months expected term.

c) In connection with a non-brokered common share private placement financing to raise a maximum of $1,000,000 common share units at a price of $0.10 per unit, the Company issued 3,177,990 warrants during the period ended June 30, 2016. Each whole warrant entitles the holder to acquire one common share of the Corporation for $0.15 for a period of 36 months from the closing date. The 3,177,990 warrants were assigned an aggregate fair value of $187,186 using the Black Scholes pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of .98%; a dividend yield of Nil%: and 36 months expected term.

This pricing model require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's warrants.

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY *(continued)*

As at June 30, 2016, the following purchase warrants were outstanding:

Number of Warrant Shares		Fair Value Warrants		Weighted Average Exercise Price	Expiry Date
774,800	$	43,372	$	0.019	July 24, 2016.
983,000		55,027		0.024	September 22, 2016.
367,000		20,544		0.009	September 24, 2016.
352,700		19,744		0.009	October 15, 2016.
382,147		52,252		0.016	December 21, 2019.
179,500		10,573		0.004	February 28, 2019.
25,000		1,473		0.001	March 28, 2019.
192,500		11,338		0.005	April 19, 2019.
1,537,500		90,560		0.038	April 29, 2019.
1,193,490		70,298		0.030	May 16, 2019.
50,000		2,945		0.001	May 24, 2019.
6,037,637	**$**	**378,125**	**$**	**0.156**	

STOCK OPTIONS

As at June 30, 2016, the Company's outstanding stock options are as follows:

Grant Date	Expiry Date	Number Outstanding		Exercise Price		Fair Value Options
Balance, December 31, 2015		-	$	-	$	-
May 5, 2016	May 5, 2016	1,525,000		0.12		107,700
Balance, June 30, 2016		**1,525,000**	**$**	**0.12**	**$**	**107,700**

There are no stock options issued and outstanding as at December 31, 2015.

On May 5, 2016, the Corporation granted stock options to acquire an aggregate of 1,525,000 common shares to directors, officers, consultants and contractors of Gunpowder Capital Corp., under its Employee Stock Option Plan.

Each option is exercisable for a ten year period to acquire one common share at a price of $0.12 per share. The options granted are not subject to any vesting restrictions. Compensation expense recorded for the period ended June 30, 2016 was $107,700. The fair value of these options calculated using Black Scholes model with the following assumptions: 181% expected volatility; a risk-free interest rate of .98%; a dividend yield of Nil%.

Subsequent to the end of the quarter, the Corporation granted 200,000 stock options at $0.10 to officers who have provided personal guarantees in connection with the acquisition of 57 Wellington St. mortgage. The options granted are not subject to any vesting restrictions and each option is exercisable for a five year period.

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY *(continued)*

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The Company grants all employee stock options with an exercise price equal to or greater than the market value of the underlying common shares on the date of grant.

CONTRIBUTED SURPLUS AND RESERVES

As at June 30, 2016, the Company's options reserve in aggregated amount of $107,700 has been allocated to contributed surplus totalling $1,311,460. The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Deficit' is used to record the Company's change in deficit from earnings and losses from period to period.

On April 20, 2016 the Board of Directors of GPC declared a quarterly dividend of $0.20 per outstanding Series "A" Preferred Share. A total of $5,002 of dividends was paid on May 2, 2016.

BASIC AND DILUTED LOSS PER SHARE

Dilutive stock warrants have been determined using the Company's average share price for quarter ended June 30, 2016. All warrants are excluded from the dilutive calculation as they would have been anti-dilutive due to the loss for the period.

10. RELATED PARTY TRANSACTIONS

Key personnel is defined as those who have authority and responsibility for planning, directing, controlling the activities of the Company, directly or indirectly. That includes all directors of the Company.

Transactions with related parties in the normal course of business measured and recorded at the exchange amount, as agreed between the parties.

i. During the quarter ended June 30, 2016, companies related to or controlled by officers and directors of the Company were paid $142,347 for consulting and management fees.

ii. As at June 30, 2016, the Company accrued $5,374 in fees and expenses which are due and payable to directors or officers.

A summary of directors and senior management remuneration of the Company for the quarter ended June 30, 2016, is as follows:

Remuneration of senior management	$112,347

(Expressed in Canadian Dollars)

Remuneration of directors	30,000
Stock based compensation	107,700
Total	**$250,047**

11. LOAN PAYABLE

On February 18, 2016, the Company entered into a loan agreement for $151,500. The loan bears interest at 15% per annum. As at May 2, 2016 the total amount of loan principal and interest payable was paid in full.

On June 30, 2016, in connection with the acquisition of 57 Wellington St., the Corporation borrowed $279,500 by securing a 25 year fixed-rate mortgage at 4.5% per annum.

12. SEGMENTED INFORMATION

In prior years the Company operated in one reportable operating segment, being the exploration of mineral properties. In 2016, the Company changed its business to Merchant Banking. The Company's identifiable assets segregated by divisions are as follows:

June 30, 2016	Corporate and other assets	Merchant banking	Real Estate	Mineral interests	Total
Canada	$549,499	$210,058	$464,791	$954,175	$2,178,523
United States	1,474	128,820			130,294
Total assets	$550,973	$338,878	$464,791	$954,175	$2,308,817
Gain (Loss) for period	$(581,581)	$27,060	$(1,411)	$(1,166)	$(557,097)

December 31, 2015	Corporate and other assets	Merchant banking	Real Estate	Mineral interests	Total
Canada	$213,405			$954,175	$1,167,580
United States	139,640				139,640
Total assets	$353,045			$954,175	$1,307,220
Loss for period	$(1,515,220)	$-	$-	$(10,509)	$(1,525,729)

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, and deficit. The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during 2016.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its costs and expenses are incurred in Canadian dollars, United States dollars and Mexican pesos. A significant change in the currency exchange rates between the United States dollar and the Mexican peso relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The long term investment is denominated in United States dollars. The Company has not hedged its exposure to currency fluctuations.

Commodity Price Risk

The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of silver.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at June 30, 2016 the Company's current liabilities totaled $585,987, and cash totaled $479,052. As a result, the Company will require additional funding to maintain corporate and administrative functions and to fund its continuing exploration activities and commitments.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of silver and gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. SUBSEQUENT EVENTS

1. On July 6th, 2016, The Board of Directors of Gunpowder Capital Corp. have declared a dividend of $0.20 per outstanding Series "A" Preferred Share of its capital payable on, or after, Aug 6th, 2016 to Series "A" Preferred Shareholders of record at the close of business on June 30th, 2016.

2. On July 4, 2016, the Corporation commenced a non-brokered private placement financing to raise a maximum of Two Million Dollars ("$2,000,000.00") by sale of Two Hundred Thousand ("200,000") Series "A" Preferred Shares at a price of $10.00 per share. The Series "A" preferred shares will pay an 8% annual dividend to the holders of the preferred shares. Furthermore, holders of the Preferred Shares will also see a 25% of after tax realized gains on any capital dispositions. No special voting rights will be granted to the holders of the Preferred Shares.

In connection with the offering, a finder's fee may be paid consisting of a cash commission equal to 8% of the gross proceeds. Net proceeds of the financings will be used for strategic acquisitions, business development and for working capital purposes. Closing of the private placement is expected to occur on, or before, August 31st, 2016.

15. SUBSEQUENT EVENTS (*continued*)

3. On July 5th, 2016, the Corporation filed its Offering Memorandum to issue up to Ten Million Dollars ("$10,000,000.00") principal amount of Convertible Notes through a private offering to both Accredited and Sophisticated Investors. The Notes have a maturity date of 36 months from the date of issuance, and accrue interest at the rate of 8% per annum, calculated and paid quarterly in arrears. The outstanding principal amount of the Notes is convertible into the Corporation's "Series A" Preferred Shares at a price of $10.00 per Preferred Share at any time, and from time to time, at the option of the holder in accordance with the terms and conditions set out in the Subscription Agreement and the certificate representing the Notes (the "Conversion Right").

   The Notes will be unsecured obligations of the Corporation. The Notes will rank equally with all other existing and future unsecured obligations of the Corporation. The Notes will be effectively subordinated to any existing and future secured obligations of the Corporation, to the extent of the value of the collateral securing such obligations.

   The Corporation will have the option to prepay all or any portion of the outstanding principal amount of the Notes ("Prepayment Option") upon delivery of notice ("Prepayment Notice") to the holder thereof. A holder shall have a period of 10 business days from the date of delivery of a Prepayment Notice to indicate its intention to exercise the Conversion Right by delivering notice (a "Conversion Notice") to the Corporation. If no Conversion Notice is delivered to the Corporation within such 10 business day period, a holder shall be deemed to have accepted prepayment as set out in the Prepayment Notice. The Notes are not listed on any stock exchange.

   In connection with the offering, a finder's fee may be paid consisting of a cash commission of up to 10% of the gross proceeds. Net proceeds of the financings will be used for strategic acquisitions, business development and for working capital purposes.

4. On July 4th, 2016The Corporation has closed the first tranche of its non-brokered private placement raise. In total, Sixty-Five Thousand, Five Hundred Dollars ("$65,500.00") was raised via the sale of via the sale of Six Thousand, Five Hundred and Fifty ("6,650") Series "A" Preferred Shares at $10.00 per share. No commission or finder's fee is payable with respect to the closing of this tranche of the placement.

5. On July 11, 2016, In connection with the acquisition of 57 Wellington St., the Corporation has granted 200,000 stock options at $0.10 to officers who have provided personal guarantees for the above noted mortgage. The options granted are not subject to any vesting restrictions and each option is exercisable for a five year period.