



GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(Unaudited - Prepared by Management)

**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)

	SEPTEMBER 30, 2016	DECEMBER 31, 2015
ASSETS		
CURRENT		
Cash	\$ 397,664	\$ 171,961
Accounts and other receivables (Note 3)	84,113	21,618
Prepaid expenses and deposits	35,736	17,000
Notes receivable (Note 4)	228,427	-
TOTAL CURRENT ASSETS	745,940	210,579
MINERAL PROPERTIES (Note 5)		
Mineral claims	-	125,500
Deferred exploration costs	-	828,675
EQUIPMENT (Note 7)	3,898	4,466
BUILDINGS AND IMPROVEMENTS (Note 8)	464,572	-
LONG TERM INVESTMENTS (Note 6)	188,670	138,000
TOTAL ASSETS	\$ 1,403,080	\$ 1,307,220
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 131,496	\$ 245,649
Royalties payable (Note 5)	-	276,026
Due to related parties (Note 10)	5,374	144,791
Mortgage payable current portion (Note 11)	6,062	-
TOTAL CURRENT LIABILITIES	142,931	666,466
LONG TERM MORTGAGE PAYABLE (Note 11)	272,456	-
TOTAL LIABILITIES	415,387	666,466
SHAREHOLDERS' EQUITY (Note 9)		
Preferred stock	717,960	-
Common stock	6,515,363	5,992,533
Contributed surplus	1,325,560	1,325,560
Warrants	378,125	190,939
Deficit	(7,949,315)	(6,746,478)
TOTAL SHAREHOLDERS' EQUITY	987,693	640,754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,403,080	\$ 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
INCOME				
Rental	\$ 8,451	\$ -	\$ 8,451	\$ -
Consulting fees	15,649	-	39,774	-
Interest	21,236	-	31,500	-
TOTAL INCOME	45,336	-	79,725	-
EXPENSES				
Management fees	28,653	35,645	171,000	35,645
Consulting and other professional fees	16,162	-	181,120	-
Stock based compensation expense	14,100	-	121,800	-
Legal and audit fees	5,650	13,622	18,634	16,856
Marketing and investor relations	19,328	2,143	69,183	2,454
Travel and accommodations	10,685	-	48,149	-
Transfer agent and filing fees	4,632	9,500	52,775	32,487
General, office and administrative	55,854	1,845	74,179	10,185
Loan interest	2,189	5,000	2,189	15,195
Royalty expenses	-	-	-	27,000
Property taxes	662	-	2,055	-
Bank service charges	923	140	1,434	202
NET LOSS BEFORE OTHER ITEMS	(113,502)	(67,895)	(662,793)	(140,024)
Amortization (Write-off) / recovery of mineral property and investments	(7,107)	(288)	(7,584)	(862)
Foreign exchange loss	(510,442)	65,494	(510,442)	65,494
	1,802	-	(5,527)	-
	(515,747)	65,206	(523,553)	64,632
LOSS FOR THE PERIOD	(629,249)	(2,689)	(1,186,346)	(75,392)
COMPREHENSIVE LOSS	\$ (629,249)	\$ (2,689)	\$ (1,186,346)	\$ (75,392)
Basic and diluted loss per share	\$ (0.03)	\$ (0.00)	\$ (0.06)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted (Note 9):				
	24,909,256	8,763,915	21,393,740	8,648,908

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	-	-	-	-	(1,186,346)	(1,186,346)
Preferred stock issued in Private placement	71,796	717,960	-	-	-	717,960
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	-	-	-	-	(16,492)	(16,492)
Share based payments	-	-	121,800	-	-	121,800
Issuance of warrants	-	(187,186)	-	187,186	-	-
Balance, September 30, 2016	24,981,052	\$7,233,323	\$1,325,560	\$378,125	\$(7,949,315)	\$987,693

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2014	82,570,349	\$5,245,466	\$1,203,760	\$ -	\$(5,220,748)	\$1,228,478
Net loss for the period	-	-	-	-	(75,392)	(75,392)
Rollback of common shares	(74,313,314)	-	-	-	-	-
Common stock issued to extinguish debt	828,625	82,862	-	-	-	82,862
Common stock issued in Private placement	4,482,600	448,260	-	-	-	448,260
Costs of issue	-	(5,000)	-	-	-	(5,000)
Issuance of warrants	-	(91,781)	-	91,781	-	-
Balance, September 30, 2015	13,568,260	\$5,679,807	\$1,203,760	\$91,781	\$(5,296,140)	\$1,679,208

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)*

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Loss for the period	\$ (1,186,346)	\$ (75,392)
Items not involving cash:		
Accretion on notes payable	-	10,187
Write-off / recovery on mineral property and investments	510,442	65,494
Share based compensation	121,800	-
Amortization	7,584	862
Unrealised foreign exchange gain / loss	21,274	-
Changes in working capital items other than cash:		
Trade and other receivable	(62,495)	(5,019)
Prepaid expenses and deposits	(18,736)	(5,275)
Accounts payable and accrued liabilities	(114,153)	7,253
Royalties payable	-	27,000
Loan payable	-	265,025
Due to related parties	-	(268,953)
	(720,630)	21,182
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuing of preferred shares	717,960	-
Proceeds from issuing of capital stock and warrants, net of issuance costs	710,016	445,300
Cash dividends paid to stockholders	(16,492)	-
Proceeds from borrowings on mortgage payable	278,518	-
Proceeds from borrowings on short-term projects	-	-
Principal payment on project debt	-	(82,863)
	1,690,002	362,438
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Investment in notes receivable	(228,427)	-
Long term investments made	(50,670)	-
Purchase of investment property	(464,572)	-
	(743,669)	-
CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents (Deficiency), beginning of period	171,961	(61)
Cash and cash equivalents (Deficiency), end of period	\$ 397,664	\$ 383,559

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

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

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 general 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.

During the second quarter of fiscal 2016, GPC incorporated two new subsidiaries, GP Self Storage Inc. and GP Reality Inc. 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 requirements of 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 the Notes to the Company's audited consolidated financial statements as at and for the year ended December 31, 2015.

(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 audited 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 or complexity, or areas where assumptions and estimates are significant to the financial statements remain unchanged from those disclosed in our year end audited financial statements.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PRESENTATION *(continued)*

(c) Going Concern of Operations

The Company historically has not generated revenue from operations. The Company incurred a net loss of \$1,186,346 during the nine months ended September 30, 2016 (\$1,525,729 during the year ended December 31, 2015) and, as of that date the Company's deficit was \$7,949,315 (\$6,746,478 – December 31, 2015). The Company has implemented a new business model focused on merchant banking and is dependent on obtaining new customers and making profitable investments to generate profit. The 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.

These interim financial statements were approved by the board of directors for use on November 28, 2016.

3. ACCOUNTS AND OTHER RECEIVABLES

Accounts receivable consists of \$31,659 for input tax credits on HST and \$52,454 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. Cardiff also 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.

On July 29, 2015 the Company was engaged by Franchise Holdings International ("FHI") to assist with the listing of FHI shares on the Canadian Securities Exchange. Upon successful completion, FHI will issue 3.5 million common shares to the Company. As part of its relationship with FHI, Gunpowder has loan 79,658 to FHI. The loans bear interest at a rate of 18% per annum. The loans are secured by a General Security Agreement over FHI as well as a charge on the assets of the business.

GUNPOWDER CAPITAL CORP.*(Formerly Silver Shield Resources Corp.)***NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016***(Expressed in Canadian Dollars)**(Unaudited)***5. MINERAL PROPERTIES**

Consistent with the Company's transition to a merchant bank, on September 9, 2016, the Company announced that it entered into an agreement to dispose of its legacy mining assets. The Company received \$51,278 as well as a 5% Net Profits Interest for 5 years, and the buyer assumed approximately \$276,000 of debt. The Company recorded a loss on disposal of \$510,442.

The Company's mineral property interests consisted of various early stage exploration projects:

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

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

6. LONG-TERM INVESTMENTS

On July 26, 2015 the Company entered into 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 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.

Long-term investments also contains \$50,000 of common stock of Payfare Inc. and \$7,500 of common stock of Franchise Holdings International.

7. EQUIPMENT

	Cost		Accumulated Amortization		Net Book Value
Equipment	\$	19,126	\$	18,035	\$ 1,091
Computer equipment		9,197		6,390	2,807
Balance, September 30, 2016	\$	28,323	\$	24,425	\$ 3,898

	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

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

8. BUILDINGS AND IMPROVEMENTS

On September 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 September 30, 2016 are as follows:

Preferred stock:	Number of Shares	Amount
Preferred stock issued in Private placement		
Balance, September 30, 2016	71,796	\$717,960
Common stock:	Number of Shares	Amount
Balance, December 31, 2015	17,304,954	\$5,992,533
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, September 30, 2016	24,909,256	\$6,515,363

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.

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 tranche of the placements.

GUNPOWDER CAPITAL CORP.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

9. SHAREHOLDERS' EQUITY (continued)

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. No commission or finder's fee is payable in respect of the closing of this tranche of the placements.

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.

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.

In total, the Company raised \$1,175,558 from the two offerings announced on February 8, 2016.

The Company also 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.

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.

On July 4, 2016, the Company announced it was undertaking a non-brokered private placement financing to raise a maximum \$1,500,000 by sale of 150,000 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.

On July 5, 2016 GPC closed the First Tranche of its concurrent non-brokered Private Placement offering. In total, \$65,500 was raised from sale of 6,550 Series "A" Preferred Shares at \$10 per share. No commission or finder's fee was payable with respect to the closing.

On August 29, 2016 GPC closed the Second Tranche of its concurrent non-brokered Private Placement offering. In total, \$100,000 was raised from sale of 10,000 Series "A" Preferred Shares at \$10 per share. No commission or finder's fee was payable with respect to the closing,

GUNPOWDER CAPITAL CORP.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

9. SHAREHOLDERS' EQUITY (continued)

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 September 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
Expired during the period	(2,124,800)		(118,943)		0.163
Issued during the period (a)	3,177,990		187,186		0.150
Balance, September 30, 2016	3,912,837	\$	259,182	\$	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 at an exercise price equal to or greater than the market value of the underlying common shares on the date of issue.

- a) In connection with the non-brokered private placement of common share units announced on February 8, 2016, the Company issued a total of 3,177,990 warrants. 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.

The Black-Scholes option pricing model requires 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.

GUNPOWDER CAPITAL CORP.*(Formerly Silver Shield Resources Corp.)***NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016***(Expressed in Canadian Dollars)**(Unaudited)***9. SHAREHOLDERS' EQUITY (continued)**

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

Number of Warrant Shares	Fair Value Warrants	Weighted Average Exercise Price	Expiry Date
352,700	19,744	0.25	October 15, 2016.
382,147	52,252	0.15	December 21, 2019.
179,500	10,573	0.15	February 28, 2019.
25,000	1,473	0.15	March 28, 2019.
192,500	11,338	0.15	April 19, 2019.
1,537,500	90,560	0.15	April 29, 2019.
1,193,490	70,298	0.15	May 16, 2019.
50,000	2,945	0.15	May 24, 2019.
3,912,837	\$ 259,182	\$ 0.156	

STOCK OPTIONS

As at September 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, 2026	1,525,000	0.12	107,700
July 11, 2016	July 11, 2021	200,000	0.10	14,100
Balance, September 30, 2016		1,725,000	\$ 0.12	\$ 121,800

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 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%.

On July 11, 2016, the Corporation granted 200,000 stock options at \$0.10 to officers who have provided personal guarantees in connection with the acquisition of the mortgage associated with 57 Wellington St. The options granted are not subject to any vesting restrictions and each option is exercisable for a five year period from the date of issuance. The fair value was calculated using the same inputs as those outlined above.

GUNPOWDER CAPITAL CORP.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

9. SHAREHOLDERS' EQUITY (continued)

Options Issued

The fair value at the 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 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 September 30, 2016, the Company's options reserve an amount of \$121,800 in aggregate has been allocated to contributed surplus totalling \$1,325,560. 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

All stock options and 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 are defined as those who have authority and responsibility for planning, directing, and controlling the activities of the Company, either 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 nine month period ended September 30, 2016, companies related to or controlled by officers and directors of the Company were paid \$182,062 for consulting and management fees.
- ii. As at September 30, 2016, the Company accrued \$5,374 in fees and expenses which are due and payable to directors or officers. The amount is unsecured, non-interest bearing and due on demand.

A summary of directors and senior management remuneration of the Company for the nine month period ended September 30, 2016, is as follows:

Remuneration of senior management	\$137,062
Remuneration of directors	45,000
Stock based compensation	121,800
Total	\$303,862

GUNPOWDER CAPITAL CORP.*(Formerly Silver Shield Resources Corp.)***NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016***(Expressed in Canadian Dollars)**(Unaudited)***11. MORTGAGE PAYABLE**

On June 29, 2016, in connection with the acquisition of 57 Wellington St., the Corporation entered into a mortgage with a major financial institution for \$279,500. It is a 25 year fixed-rate mortgage at 4.5% per annum. As at September 30, 2016, the mortgage long term balance is \$272,456.

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. In addition, the Company has allocated our gain or (loss) for the period as indicated. The Company has a small staff that handles all functions and operations and as such does not allocate costs or time between segments.

September 30, 2016	Corporate and other assets	Merchant banking	Real Estate	Mineral interests	Total
Canada	\$469,533	\$338,681	\$464,572	\$ -	\$1,272,786
United States	1,474	128,820			130,294
Total assets	\$471,007	\$467,481	\$464,572	\$ -	\$1,403,080
Gain (Loss) for period	\$(671,245)	N/A	\$(4,659)	\$(510,442)	\$(1,186,346)

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 investment activities and growth. 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 as well as mortgages payable. The Company's objective when managing capital is to obtain adequate levels of funding to support its investment activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further business development opportunities. 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.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

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 has assets denominated in United States dollars. A significant change in the currency exchange rates between the United States dollar 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

With the disposal of the Company's mining properties, the Company is no longer exposed to commodity price risk.

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 September 30, 2016 the Company's current liabilities totaled \$142,931, and cash totaled \$397,664. The Company expects that it will require additional funding to maintain corporate and administrative functions and to fund its continuing merchant banking activities.

Price Risk

The Company is exposed to price risk with respect to 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. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. SUBSEQUENT EVENTS

- (a) On October 3, 2016, the Company declared a dividend of \$0.20 per outstanding Class A Preferred Share.
- (b) On October 11, 2016, the Company's fully owned subsidiary GP Self Storage completed its first acquisition acquiring a fully automated storage facility in Madoc Ontario. The purchase price was \$299,000 of which half was funded by the Company with the remaining balance funded by a mortgage from a large Canadian financial institution via a 15 year mortgage bearing interest at 4.1% per annum.
- (c) On November 15, 2016 the Company acquired a commercial loan portfolio with a face value of \$598,000 via the issuance of 59,800 Class A Preferred Shares.
- (d) On November 15, 2016 the Company closed an additional \$61,000 through the issuance of 6,100 Class A Preferred Shares.
- (e) Subsequent to the end 352,700 common stock purchase warrants expired unexercised.
- (f) On November 25, 2016 the Company learned that Cardiff Energy Corp. issued a press release that it plans a share rollback and intends to pursue new business ventures. Given that the Gunpowder loan to Cardiff Energy Corp., is secured by a first ranking General Security Agreement "GSA" over all of the assets of Cardiff Energy Corp., Gunpowder does not believe that the loan to Cardiff is currently impaired, however, the Company did not book any interest on the loan in the current quarter.