



GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**

May 29th, 2017

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited CONDENSED INTERIM 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 CONDENSED INTERIM 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.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at

	Notes	March 31, 2017	December 31, 2016
ASSETS			
CURRENT			
Cash		\$ 995,953	\$ 127,619
Accounts and other receivables	4, 5	118,554	563,640
Prepaid expenses		29,787	15,849
Notes receivable	5	687,251	389,461
Total current assets		1,831,545	1,096,569
LONG TERM PREPAIDS			
		-	30,350
EQUIPMENT	7	34,580	33,886
BUILDINGS AND IMPROVEMENTS	8	1,548,909	770,166
LOANS RECEIVABLE	13	385,058	-
LONG-TERM NOTES RECEIVABLE	5	501,011	611,740
LONG-TERM INVESTMENTS	9	286,619	295,876
TOTAL ASSETS		\$ 4,587,722	\$ 2,838,587
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 272,507	\$ 255,760
Due to related parties	14	5,374	5,374
Mortgage payable - current portion	10	25,935	13,105
Total current liabilities		303,816	274,239
LONG-TERM MORTGAGE PAYABLE	10	935,710	409,042
TOTAL LIABILITIES		1,239,526	683,281
SHAREHOLDERS' EQUITY			
Preferred shares	11(a)	3,436,705	2,047,400
Common shares	11(a)	6,500,868	6,500,868
Contributed surplus	11(c)	1,539,047	1,539,047
Warrants	11(b)	239,438	239,438
Deficit	11(d)	(8,367,862)	(8,171,447)
TOTAL SHAREHOLDERS' EQUITY		3,348,196	2,155,306
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 4,587,722	\$ 2,838,587

Description of business (Note 1)

Going concern (Note 2(d))

Subsequent events (Note 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy"
DIRECTOR

Signed "Stephen Mlot"
DIRECTOR

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

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the three months ended March 31,

	Notes	2017	2016
INCOME			
Rental		\$ 23,231	\$ -
Advisory services		905	-
Payment processing services		21,047	-
Interest		49,007	12,194
TOTAL INCOME		94,190	12,194
EXPENSES			
Management fees	13	74,750	27,000
Consulting and other professional fees		57,943	33,505
General, office and administrative		46,591	12,223
Property taxes and maintenance		15,715	-
Mortgage and loan interest		11,169	-
Marketing and investor relations		9,827	25,660
Transfer agent and filing fees		8,442	35,081
Travel and accommodations		8,097	12,998
Legal and audit fees		7,500	8,045
Bank service charges		1,599	159
NET LOSS BEFORE OTHER ITEMS		(147,443)	(142,477)
Amortization		(10,011)	(226)
Unrealized loss on investments	9	(9,252)	-
Accretion on notes receivable	5	11,286	-
Foreign exchange		(47)	(6,023)
TOTAL OTHER ITEMS		(8,024)	(6,249)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (155,467)	\$ (148,726)
Weighted average number of shares outstanding			
- basic and diluted		27,409,256	17,428,350
Basic and diluted loss per share	12	(0.01)	(0.01)

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

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Notes	Number of shares	Preferred shares	Common shares	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
Issuance of preferred shares	11	10,424	104,240	-	-	-	-	104,240
Issuance of common shares (net of share issue costs)	11	409,000	-	25,900	-	-	-	25,900
Issuance of warrants		-	-	(12,045)	-	12,045	-	-
Net loss for the period		-	-	-	-	-	(148,726)	(148,726)
Balance, March 31, 2016		17,724,378	\$ 104,240	\$ 6,006,388	\$ 1,203,760	\$ 202,984	\$ (6,895,204)	\$ 622,168
Issuance of preferred shares		194,316	1,943,160	-	-	-	-	1,943,160
Issuance of common shares (net of share issue costs)		8,829,127	-	573,003	-	-	-	573,003
Issuance of warrants		-	-	(175,141)	-	175,141	-	-
Common shares issued for debt		866,175	-	96,618	-	-	-	96,618
Share-based compensation		-	-	-	196,600	-	-	196,600
Expiry of warrants		-	-	-	138,687	(138,687)	-	-
Dividends		-	-	-	-	-	(30,851)	(30,851)
Net loss for the period		-	-	-	-	-	(1,245,392)	(1,245,392)
Balance, December 31, 2016		27,613,996	\$ 2,047,400	\$ 6,500,868	\$ 1,539,047	\$ 239,438	\$ (8,171,446)	\$ 2,155,306
Issuance of preferred shares (net of share issue costs)	11	157,490	1,389,305	-	-	-	-	1,389,305
Dividends	11	-	-	-	-	-	(40,948)	(40,948)
Net loss for the period		-	-	-	-	-	(155,467)	(155,467)
Balance, March 31, 2017		27,771,486	\$ 3,436,705	\$ 6,500,868	\$ 1,539,047	\$ 239,438	\$ (8,367,861)	\$ 3,348,196

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

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

For the three months ended March 31,

	2017	2016
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Loss for the period	\$ (155,467)	\$ (148,726)
Items not involving cash:		
Amortization	10,011	-
Unrealized loss on investments	9,252	-
Accretion on notes receivable	(11,286)	-
Foreign exchange	8,691	8,130
Changes in working capital items other than cash:		
Accounts and other receivables	445,086	343
Prepaid expenses	(13,939)	4,465
Accounts payable and accrued liabilities	16,748	8,495
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	309,096	(127,293)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of preferred shares	1,336,900	50,240
Share issue costs	(185,595)	-
Proceeds from issuance of common shares	-	25,900
Cash dividends paid to preferred shareholders	(40,948)	-
Proceeds from loan payable	-	138,875
Repayment of mortgages payable	(4,252)	-
Due to related parties	-	(7,799)
CASH PROVIDED BY FINANCING ACTIVITIES	1,106,105	207,216
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Funds loaned for notes receivable	(56,443)	(144,375)
Repayments received for notes receivable	109,982	-
Funds loaned for loans receivable	(385,058)	-
Purchase of buildings	(212,739)	-
Purchase of equipment	(2,609)	-
CASH FLOWS (USED IN) INVESTING ACTIVITIES	(546,867)	(144,375)
CHANGE IN CASH	868,334	(64,452)
Cash, beginning of the period	127,619	171,961
Cash, end of the period	\$ 995,953	\$ 107,510

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

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

1. DESCRIPTION OF BUSINESS

Gunpowder Capital Corp. (“GPC” or the “Company”) (formerly Silver Shield Resources Corp.) is a 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 its common shares trades under the symbol “GPC” and its “Class – A” preferred shares trades under the symbol “GPC.PR.A” on the Canadian Securities Exchange. The Company’s common shares also trade on the Frankfurt Stock Exchange under “YS6N”.

As a merchant bank and advisory services firm, GPC 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. GPC’s 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. GPC’s main focus with advisory services is to assist companies that are interested in going public, however, GPC is also involved with capital markets advisory services and advising on mergers and acquisitions.

The Company’s corporate office and principal place of business is 8 King Street East, Suite 1005, Toronto, Ontario, Canada, M5C 1B5.

The condensed interim consolidated financial statements of the Company for the three months ended March 31, 2017 and 2016 were authorized for issuance in accordance with a resolution of the board of directors on May 29, 2017.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The following companies have been consolidated within the unaudited condensed interim consolidated financial statements:

<u>Company</u>	<u>Registered</u>	<u>Principle activity</u>
Gunpowder Capital Corp.	Canada	Parent company
GP Realty Inc. ⁽¹⁾	Canada	Holding company
57 Wellington St. Inc. ⁽²⁾	Canada	Real estate rental company
63 Wellington Street Inc. ⁽²⁾	Canada	Real estate rental company
GP Financial Services Corp. ⁽¹⁾	Canada	Payment processing company
GP Self Storage Inc. ⁽¹⁾	Canada	Storage facility rental company

⁽¹⁾ 100% owned by the parent company.

⁽²⁾ 100% owned by GP Realty Inc.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION *(continued)*

(b) Statement of compliance to international financial reporting standards

These unaudited condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS34"), as issued by the International Accounting Standards Board ("IASB") and apply the same accounting policies and application as disclosed in the annual consolidated financial statements for the year ended December 31, 2016 other than noted below. They do not include all of the information and disclosures required by IFRS for annual statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed interim consolidated financial statements. Operating results for the period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2017. For further information, see the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2016

(c) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as explained in these condensed interim consolidated financial statements. These unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(d) Going concern of operations

The Company incurred a net loss of \$155,467 during the three months ended March 31, 2017 (2016 - \$148,726) and, as of that date the Company's deficit was \$8,367,862 (December 31, 2016 - \$8,171,447). In the prior year, the Company had transformed to a merchant banking model and is dependent on obtaining new clients and making profitable investments to generate profit.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material. 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.

(e) Significant accounting estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

(e) Significant accounting estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements were the same as those applied to the Company's audited consolidated financial statements for the year ended December 31, 2016.

3. CHANGES IN ACCOUNTING POLICIES AND PRONOUNCEMENTS*Revenue recognition*

During the three months ended March 31, 2017, the Company began provided payment processing services. Revenue earned from payment processing is recorded when earned.

Investments in associated companies

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company's proportion of dividends paid by the associated company reduces the carrying value of the investment.

Changes in accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)**3. CHANGES IN ACCOUNTING POLICIES AND PRONOUNCEMENTS– continued***Recent accounting pronouncements – continued*

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

4. ACCOUNTS AND OTHER RECEIVABLES

	March 31,	December 31,
	2017	2016
Share subscription receivables	\$ -	\$ 476,440
HST receivables	27,361	17,654
Other receivables (Note 5(i))	91,193	69,546
Total accounts and other receivables	\$ 118,554	\$ 563,640

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)**4. ACCOUNTS AND OTHER RECEIVABLES – continued**

Aging analysis of other receivables:	March 31,	December 31,
	2017	2016
1-30 days	\$ 25,751	\$ 13,825
31 - 60 days	8,256	1,249
61 - 90 days	1,269	4,253
Greater than 90 days	55,917	50,219
	\$ 91,193	\$ 69,546

5. NOTES RECEIVABLE

	March 31,	December 31,
	2017	2016
Cardiff Energy Corp. (i)	\$ 90,079	\$ 90,079
Advantagewon Inc. (ii)	13,688	33,592
Franchise Holdings International Inc. (iii)	201,725	154,337
Loan portfolio (iv)	882,770	705,875
Other (v)	-	17,318
Total notes receivable	\$ 1,188,262	\$ 1,001,201

Classification:

Short-term notes receivable	\$ 687,251	\$ 389,461
Long-term notes receivable	501,011	611,740
	\$ 1,188,262	\$ 1,001,201

- (i) On February 19, 2016, the Company loaned \$150,000 to Cardiff Energy Corp (“Cardiff”). The loan was 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, Cardiff granted the Company 250,000 stock options at a price of \$0.05 and a 1.25% gross overriding royalty on the Clayton #1H well located in the state of Texas. At March 31, 2017, the balance outstanding on the loan was \$78,750 plus accrued interest of \$11,329 (December 31, 2016 - \$78,750 plus accrued interest of \$11,329). An additional amount of \$45,709 outstanding from Cardiff was recorded as accounts and other receivables at March 31, 2017 for monthly instalments repayable which have not been repaid (December 31, 2015 - \$45,709).

On December 19, 2016, the Company entered into a loan amendment agreement with Cardiff whereby the total outstanding balance of \$135,788 will be converted to common shares of Cardiff if Cardiff raises a minimum of \$750,000.

- (ii) On May 12, 2016, the Company loaned Advantagewon Inc. \$75,000. The Company charged a lenders fee of 3% in relation to the loan and the loan bears interest at a rate of 15% per annum. The loan is repayable in twelve equal monthly instalments beginning June, 2016. At March 31, 2017, the balance outstanding on the loan was \$13,688 (December 31, 2016 - \$33,592).

GUNPOWDER CAPITAL CORP.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

5. NOTES RECEIVABLE - continued

- (iii) On July 23, 2016, the Company was engaged by Franchise Holdings International, Inc. ("FHI") to assist with the listing of FHI shares on the Canadian Securities Exchange. Upon successful completion FHI will issue 6 million common shares to the Company. As part of the relationship with FHI, the Company has agreed to loan up to \$300,000 to FHI at an interest rate of 18% per annum. At March 31, 2017, the balance outstanding on this loan was \$97,085 plus accrued interest of \$4,740 (December 31, 2016 - \$56,842 plus accrued interest of \$1,098).

On July 26, 2016, the Company issued a secured promissory note to Truxmart Inc., a subsidiary of FHI for an amount up to \$59,000 with a maturity date of July 13, 2018. On October 1, 2016, the Company issued a secured promissory note to FHI for USD \$22,500 (\$33,383) with a maturity date of October 1, 2018. Both of these notes bear interest at a rate of 18% per annum. At March 31, 2017, the balance outstanding on these notes was \$92,321 plus accrued interest of \$7,579 (December 31, 2016 - \$92,568 plus accrued interest of \$3,829).

These loans above are secured by a general security agreement over FHI as well as a charge on the assets of the business.

- (iv) On November 23, 2016, the Company entered into two purchase and sale agreements with companies to acquire loan portfolios. The portfolios included four loans with interest rates ranging from 12% to 24%. Included in these loan portfolios is a \$90,000 loan to Advantagewon Oil Corporation ("AOC"), a company with a common officer as the Company. The maturity date of the loans in these loan portfolios range from August 1, 2017 to March 31, 2037. The carrying value of the loans on November 23, 2016 was \$743,432. The Company issued 69,200 "Class – A" preferred shares with an estimated fair value of \$10 per share for total consideration of \$692,000 for the portfolio. The difference between the consideration given and the face value of the loans is related to one specific loan and has been recorded as a reduction to the fair value of the loan. This amount will be accreted to profit (loss) until April 10, 2018 when the loan matures. Accretion of \$11,286 was recorded for the three months ended March 31, 2017 (2016 - \$nil) in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

On January 16, 2017, the Company entered into a purchase and sale agreement to acquire a loan portfolio. This portfolio included two loans with rates ranging from 10% to 12%. The maturity date of the loans in this loan portfolio ranged from March 31, 2018 to March 31, 2037. The carrying value of the loans on January 16, 2017 was \$238,000. The Company issued 23,800 "Class – A" preferred shares with an estimated fair value of \$10 per share for total consideration of \$238,000 for the portfolio. During the period ended March 31, 2017, one of the loans in the portfolio was fully repaid.

At March 31, 2017, the balance outstanding on the above loan portfolios was \$874,127 plus accrued interest of \$8,643 (December 31, 2016 - \$696,766 plus accrued interest of \$9,109).

- (v) On June 20, 2016, the Company loaned USD\$25,000 (\$32,478) to a resident of the City of Houston Texas. The Company charged a lenders fee of 5% for the loan and the loan bears interest at a rate of 24% per annum. The loan is secured by shares of a private oil company. During the three months ended March 31, 2017, this loan was fully repaid. At March 31, 2017, the balance outstanding on the loan was \$nil. (December 31, 2016 - USD \$12,898 (\$17,318)).

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)**6. MINERAL PROPERTIES**

Consistent with the Company's transition to a merchant bank as described in Note 1, the Company entered into a debt settlement agreement on August 19, 2016 with a former director of the Company to dispose of its legacy mining assets. As part of the debt settlement agreement, \$51,278 owing to the former director was settled with the transfer of the Company's property titles to the former director. The Company will retain a net profits interest of 5% on the property for five years commencing on the date the property titles transferred to the former director.

(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 the year ended December 31, 2015, the Company allowed 8 mining claims in Mickle Township to lapse, but value still remained on the mining lease. Management had 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.

During the year ended December 31, 2016, the Company allowed the mining lease and the remaining mining claims to lapse.

(b) Lost Dog Property, Ontario

The Company owned a 100% interest in certain mining claims in Denton Township, 30 kilometres south-west of Timmins, Ontario, subject to a 2% NSR which the Company has the right to purchase 1% NSR at any time for \$1,000,000.

During the year ended December 31, 2016, the Company transferred the mining claims to a former director as part of a debt settlement agreement.

7. EQUIPMENT

	Equipment	Computers	Total
Cost as at December 31, 2016	\$ 50,031	\$ 9,196	\$ 59,227
Additions	952	1,712	2,664
Cost as at March 31, 2017	50,983	10,908	61,891
Accumulated depreciation as at December 31, 2016	(18,404)	(6,937)	(25,341)
Charge for the period	(1,603)	(367)	(1,970)
Accumulated depreciation as at March 31, 2017	(20,007)	(7,304)	(27,311)
Net book value as at December 31, 2016	31,627	2,259	33,886
Net book value as at March 31, 2017	\$ 30,976	\$ 3,604	\$ 34,580

GUNPOWDER CAPITAL CORP.

(Formerly Silver Shield Resources Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)**8. BUILDINGS AND IMPROVEMENTS**

	57	63	Madoc Self	Total
	Wellington	Wellington	Storage	
Cost as at December 31, 2016	\$ 469,782	\$ -	\$ 308,071	\$ 777,853
Additions	-	786,784	-	786,784
Cost as at December 31, 2016	469,782	786,784	308,071	1,564,637
Accumulated depreciation as at				
December 31, 2016	(5,872)	-	(1,815)	(7,687)
Charge for the period	(2,936)	(3,180)	(1,925)	(8,041)
Acc. depreciation as at December 31, 2016	(8,808)	(3,180)	(3,740)	(15,728)
Net book value as at December 31, 2016	\$ 463,910	\$ -	\$ 306,256	\$ 770,166
Net book value as at March 31, 2017	\$ 460,974	\$ 783,604	\$ 304,331	\$ 1,548,909

During the year ended December 31, 2016, the Company 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 \$430,000 plus an aggregate \$39,782 of capitalized expenses such as legal fees and other costs connected with the property purchase.

During the year ended December 31, 2016, the Company formed GP Self Storage Inc. and purchased its first self-storage facility in Madoc, Ontario. The total purchase price of the facility was \$299,000 plus an aggregate of \$9,071 of capitalized expenses such as legal fees and other costs connected with the purchase.

During the three months ended March 31, 2017, the Company formed 63 Wellington Street Inc. and on January 31, 2017, completed the purchase of its second residential rental property, 63 Wellington Street, located in London, Ontario. Total purchase price of the property was \$725,000 plus an aggregate \$61,784 of capitalized expenses such as legal fees and other costs connected with the property purchase.

9. LONG-TERM INVESTMENTS

	March 31, 2017		December 31, 2016	
	# of shares	Fair market value	# of shares	Fair market value
Cannabis Royalties & Holdings Corp. (i)	28,850	83,953	28,850	95,205
Franchise Holdings International Inc. (ii)	50,000	2,666	50,000	671
Payfare Inc. (iii)	333,334	50,000	333,334	50,000
Advantagewon Oil Corp. (iv)	1,666,667	150,000	1,666,667	150,000
Total long-term investments		\$ 286,619		\$ 295,876

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(Expressed in Canadian Dollars)

9. LONG-TERM INVESTMENTS - continued

- (i) On July 26, 2015, the Company 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 (\$138,000). These shares were sold by RVT 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.

During the year ended December 31, 2016, RVT entered into an agreement with Cannabis Royalties & Holdings Corp. ("CRHC") (CSE:CRZ) to sell certain assets of RVT to CRHC for 375,000 common shares of CRHC. As a result of this agreement, the Company's RVT shares were swapped for 28,850 common shares of CRHC. The fair market value of these shares was estimated at \$83,954 based on CRHC's quoted market share price as at March 31, 2017 (December 31, 2016 - \$95,205). As such, an impairment of \$11,251 was recorded as an unrealized loss on investments for the three months ended March 31, 2017 (2016 - \$nil).

- (ii) On September 16, 2016, the Company acquired 50,000 common shares of FHI as part of a capital market consulting agreement with FHI for \$nil cost to the Company. These shares had an estimated fair value of USD \$7,500 (\$9,675) on the date of acquisition based on the quoted market share price of FHI on the date of acquisition. As at March 31, 2017, FHI's quoted share price was USD \$0.04 (\$0.05). As a result, an unrealized gain of \$1,995 was recorded for the three months ended March 31, 2017 (2016 - \$nil).
- (iii) On August 30, 2016, the Company acquired 333,334 common shares of Payfare Inc. for \$50,000, a private company in the business of payment processing. There was no material change in the value of the shares as at March 31, 2017 due to the short amount of time that had passed since the purchase of the shares.
- (iv) On October 20, 2016, the Company acquired 1,666,667 common shares of Advantagewon Oil Corporation ("AOC") for consideration of 2,500,000 common shares of the Company. The estimated fair value of the investment on the date of purchase was \$112,500 based the closing quoted market share price of the Company's common shares on the day before the transaction. As at December 31, 2016, AOC's shares were valued at \$150,000 based on the share price from a private placement occurring near December 31, 2016. There was no material change in the value of the shares as at March 31, 2017. AOC has an officer in common with the Company. AOC is in the process of going public and upon completion of the process, these shares are expected to be distributed to shareholders of the Company as a dividend.

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(Expressed in Canadian Dollars)**10. MORTGAGES PAYABLE**

	March 31, 2017	December 31, 2016
57 Wellington Street, London, Ontario	\$ 275,522	\$ 277,028
63 Wellington Street, London, Ontario	542,717	-
Madoc storage facility	143,406	145,119
Total mortgages payable	\$ 961,645	\$ 422,147

Classification:

Short-term mortgages payable	\$ 25,935	\$ 13,105
Long-term mortgages payable	935,710	409,042
	\$ 961,645	\$ 422,147

57 Wellington Street, London, Ontario

On June 29, 2016, the Company obtained a mortgage payable to Equitable Bank for a principal amount of \$279,500. The mortgage bears interest of 4.75% per annum, compounded semi-annually for a term of 36 months. The amortization life of the mortgage is 300 months.

63 Wellington Street, London, Ontario

On January 31, 2017, the Company obtained a mortgage payable to Equitable Bank for a principal amount of \$543,750. The mortgage bears interest of 4.20% per annum, compounded semi-annually for a term of 60 months. The amortization life of the mortgage is 300 months.

Madoc storage facility

On October 1, 2016, the Company obtained a mortgage payable to the Royal Bank of Canada for a principal amount of \$146,250. The mortgage bears interest of 4.63% per annum, compounded semi-annually for a term of 60 months. The amortization life of the mortgage is 180 months.

Mortgages payable are secured by general security agreements constituting a first ranking security interest in all assets, a collateral mortgage in the amount of \$969,500 over real property, and a first position security interest over accounts receivable and inventories.

In addition to the mortgages payable, on February 18, 2016, the Company entered into a loan agreement for \$151,500 with YCF Inc. The loan bears interest at 15% per annum. As at May 2, 2016 the total amount of loan principal and interest payable was repaid in full.

11. SHAREHOLDERS' EQUITY**a) Preferred shares and common shares**

As at March 31, 2017, the Company's authorized share capital consisted of an unlimited number of voting common shares and a combined total of 2,740,925 non-voting, cumulative, "Class – A" preferred shares and "Class – B" preferred shares that are redeemable at the option of the Company at fair value.

GUNPOWDER CAPITAL CORP.

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(Expressed in Canadian Dollars)**11. SHAREHOLDERS' EQUITY - continued****a) Preferred shares and common shares - continued*****Preferred shares***

Class-A	# of shares	Value of shares
Balance, December 31, 2016	204,740	\$ 2,047,400
"Class - A" shares issued (i)	123,940	1,239,400
Share issue costs	-	(128,955)
Balance, March 31, 2017	328,680	\$ 3,157,845

Class-A	# of shares	Value of shares
Balance, December 31, 2015	-	\$ -
"Class - A" shares issued (i)	10,424	104,240
Balance, March 31, 2016	10,424	\$ 104,240

Class - B	# of shares	Value of shares
Balance, March 31, 2016 and December 31, 2016	-	\$ -
"Class - B" shares issued in private placement (ii)	33,550	335,500
Share issue costs	-	(56,640)
Balance, March 31, 2017	33,550	\$ 278,860

- (i) During the three months ended March 31, 2016, the Company issued a total of 10,424 "Class – A" preferred shares at \$10 per share for total proceeds of \$104,240.

On January 16, 2017, the Company issued 23,800 "Class – A" preferred shares at \$10 per share to acquire a loan portfolio from a company with a common officer with the Company. See Note 5(iv).

During the three months ended March 31, 2017, the Company issued a total of 100,140 "Class – A" preferred shares at \$10 per share for total proceeds of \$1,001,400.

Share issue costs of \$128,955 were incurred in relation to the issuances in the three month period ended March 31, 2017.

- (ii) During the three months ended March 31, 2017, the Company issued a total of 33,550 "Class – B" preferred shares at \$10 per share for total proceeds of \$335,500.

Share issue costs of \$56,640 were incurred in relation to this issuance.

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(Expressed in Canadian Dollars)**11. SHAREHOLDERS' EQUITY - continued****a) Preferred shares and common shares - continued****Common shares**

	# of shares	Value of shares
Balance, December 31, 2016 and March 31, 2017	27,409,256	6,500,868

	# of shares	Value of shares
Balance, December 31, 2015	17,304,954	\$ 5,992,533
Common shares issued in private placement (i)	409,000	40,900
Value of warrants granted in private placements (i)	-	(12,045)
Cost of issue	-	(15,000)
Balance, March 31, 2016	17,713,954	\$ 6,006,388

- (i) On February 29, 2016, the Company closed the first tranche of the non-brokered private placement raising gross proceeds of \$35,900 through the issuance of 359,000 units at \$0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share 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. The fair value of the 179,500 warrants was estimated as \$10,573 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

On March 29, 2016, the Company closed the second tranche of the non-brokered private placement raising gross proceeds of \$5,000 through the issuance of 50,000 units at \$0.10 per unit. Each unit is comprised of one common share of the Company plus one-half of one common share 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. The fair value of the 25,000 warrants was estimated as \$1,472 using the Black-Scholes option pricing model with the following assumptions: 181% expected volatility; a risk-free interest rate of 0.98%; an expected dividend yield of Nil%; and 36 months expected term.

There were no issuances of common shares during the three month period ended March 31, 2017.

b) Warrants

	# of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2016 and March 31, 2017	3,560,137	\$ 239,438	\$ 0.161

	# of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2015	2,859,647	\$ 190,939	\$ 0.163
Granted	204,500	12,045	0.150
Balance, March 31, 2016	3,064,147	\$ 202,984	\$ 0.162

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(Expressed in Canadian Dollars)**11. SHAREHOLDERS' EQUITY - continued****b) Warrants - continued**

The following warrants were in existence as at March 31, 2017:

# of warrants	Fair value of warrants	Weighted average exercise price	Expiry Date
179,500	\$ 10,573	0.15	February 28, 2019
25,000	1,472	0.15	March 29, 2019
192,500	11,338	0.15	April 19, 2019
1,537,500	90,559	0.15	April 29, 2019
1,193,490	70,298	0.15	May 16, 2019
50,000	2,945	0.15	May 24, 2019
382,147	52,253	0.25	December 21, 2019
3,560,137	\$ 239,438		

c) Contributed surplus

Balance, December 31, 2016 and March 31, 2017	\$ 1,539,047
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Balance, December 31, 2015 and March 31, 2016	\$ 1,203,760
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Stock options

As at March 31, 2017, the Company's outstanding stock options are as follows:

# of options outstanding and exercisable	Fair value at grant date	Exercise price	Expiry Date	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
200,000	\$ 14,100	0.10	July 11, 2021	161%	5	0%	0.53%
100,000	3,500	0.10	December 1, 2021	156%	5	0%	1.07%
1,550,000	179,000	0.12	May 5, 2026	143%	10	0%	0.98%
1,850,000	\$ 196,600						

Employee share option plan

The shareholders of the Company approved the Company's existing stock option plan, the "Plan", to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

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.

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(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY - continued

d) Dividends

On January 3, 2017, the Company declared and paid a dividend of \$0.20 per "Class – A" preferred shares of \$0.20 per share. The total dividend paid during the three months ended March 31, 2017 was \$40,948 (2016 - \$nil).

Subsequent to March 31, 2017, the Company declared and paid a dividend of \$0.20 per "Class – A" preferred shares and "Class – B" preferred shares for a total of \$72,446.

12. BASIC AND DILUTED LOSS PER SHARE

Shares issuable from options and warrants were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three months ended March 31, 2017 and 2016.

13. RELATED PARTY TRANSACTIONS

JIT Financial Inc.

During the three months ended March 31, 2017, the Company loaned \$31,538 to JIT Financial Inc. ("JIT"), which the Company acquired a 12.5% ownership stake and as a result of this stake, appointed one of its officers to the Board of Directors, through a promissory note and a number of amendments of the promissory note. JIT is in the cash clearing business. The loan bears interest at a rate of 10% per annum and the Company charges a royalty of \$0.05 per transaction on certain transactions processed by JIT. The loan is repayable on a basis of \$0.25 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

During the three months ended March 31, 2017, the Company loaned \$425,000 to JIT, through a promissory note and a number of amendments of the promissory note. JIT is in the cash clearing business. The loan bears interest at a rate of \$0.30 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

The amounts loaned to JIT are used for JIT's cash clearing business, which uses GP Financial Services Corp.'s ("GPFS") bank accounts to hold unused funds. As at March 31, 2017, GPFS held \$71,480 on behalf of JIT's unused funds and therefore had a receivable of \$385,058 from JIT (December 31, 2016 - \$nil).

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(Expressed in Canadian Dollars)**13. RELATED PARTY TRANSACTIONS - continued**Other related parties

During the three months ended March 31, 2017 and 2016, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period was as follows:

	Three months ended March 31,	
	2017	2016
Short-term benefits	\$ 45,000	\$ 36,000
Share-based payments	-	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As at March 31, 2017, the Company owed \$5,374 (December 31, 2016 - \$5,374) to an officer of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See notes 5(iv), 9(iv).

14. SEGMENTED INFORMATION

In 2016, the Company changed its business to merchant banking as described in Note 1. As at December 31, 2016, the Company has four reportable segments; corporate, merchant banking, real estate and consulting and advisory. The merchant banking segment provides loans to third parties and earns interest income. The real estate segment acquires rental properties for capital appreciation and earns rental income. The consulting and advisory segment provides advisory services to third party corporations and earns service income. The corporate segment is responsible for the overall operations of the Company including all overhead costs. During the three months ended March 31, 2017, the Company entered into an additional segment – payment processing. This segment provides payment processing services and earns fees as incurred.

March 31, 2017	Corporate	Merchant banking	Real estate	Consulting and advisory	Payment processing	Total
<u>Assets</u>						
Canada	\$ 321,199	\$ 59,592	\$ 1,548,909	\$ -	\$ 385,058	\$ 2,314,758
US	-	441,419	-	-	-	441,419
Non-current assets	\$ 321,199	\$ 501,011	\$ 1,548,909	\$ -	\$ 385,058	\$ 2,756,177

December 31, 2016	Corporate	Merchant banking	Real estate	Consulting and advisory	Total
<u>Assets</u>					
Canada	\$ 329,762	\$ 438,061	\$ 800,516	\$ -	\$ 1,568,339
US	-	173,679	-	-	173,679
Non-current assets	\$ 329,762	\$ 611,740	\$ 800,516	\$ -	\$ 1,742,018

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(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION - continued

	Three months e	
Revenues	2017	
Corporate	\$	-
Merchant banking		49,007
Payment processing		21,047
Real estate		23,231
Consulting and advisory		905
	\$	94,190

15. CAPITAL MANAGEMENT

The Company considers its capital to be shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, warrants and deficit. 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's objective when managing capital are:

- a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- b) to give shareholders sustained growth in value by increasing shareholders' equity; while
- c) taking a conservative approach towards financial leverage and management of financial risks.

The Company's management reviews its capital structure on an on-going basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company's current capital is composed of its shareholders' equity and, to-date, has adjusted or maintained its level of capital by:

- a) raising capital through equity financings; and
- b) realizing proceeds from the disposition of its investments

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 and its subsidiaries is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2017 and the year ended December 31, 2016.

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(Expressed in Canadian Dollars)**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial assets and financial liabilities as at March 31, 2017 and December 31, 2016 are as follows:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
March 31, 2017			
Cash	\$ 995,953	\$ -	\$ 995,953
Accounts and other receivables	91,193	-	91,193
Notes receivable	1,188,262	-	1,188,262
Investments	-	286,619	286,619
Accounts payable and accrued liabilities	(272,507)	-	(272,507)
Mortgages payable	(961,645)	-	(961,645)
December 31, 2016			
Cash	\$ 127,619	\$ -	\$ 127,619
Accounts and other receivables	545,986	-	545,986
Notes receivable	1,001,201	-	1,001,201
Investments	-	295,876	295,876
Accounts payable and accrued liabilities	(255,760)	-	(255,760)
Mortgages payable	(422,147)	-	(422,147)

The Company's has loans receivable outstanding and a significant portion of the Company's assets are currently comprised of financial instruments which can expose it to several risks, including market, liquidity, credit and currency risks. As a result of the change in business, there are new risks, objectives, policies and procedures compared to the previous year as discussed below. A discussion of the Company's use of financial instruments and their associated risks is provided below:

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favorable prices. In addition, a significant portion of the Company's investments are in the resource sector. The Company mitigates this risk by attempting to have a portfolio which is not singularly exposed to any one issuer, with exception to the Company having one position as at March 31, 2017 which made up of approximately 52% (December 31, 2016 – 51%) of the total equity portfolio. (See Note 9).

For the three months ended March 31, 2017, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of \$15,000 (2016 - \$nil).

For the three months March 31, 2017, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of \$13,700 (2016 - \$nil).

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 March 31, the Company's current liabilities totaled \$272,507 and cash totaled \$995,953. The Company generates cash flow from advisory fees, loan interest payment processing services, and rental income.

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(Expressed in Canadian Dollars)**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued**

The Company manages liquidity risk by reviewing the amount of cash available, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meet its current obligations. See Note 2.

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	\$ 272,507	\$ 272,507	\$ 272,507	\$ -	\$ -	\$ -
Mortgages payable	961,645	1,533,507	67,606	135,212	135,212	1,195,477
Total	\$ 1,234,152	\$ 1,806,014	\$ 340,113	\$ 135,212	\$ 135,212	\$ 1,195,477

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts and other receivables and notes receivable.

The Company monitors the credit risk and credit standing of its customers on a regular basis. See Note 4 for an aging analysis of other receivables. At December 31, 2016, the Company's share subscription receivables consist of receivables from a small number of the Company's "Class – A" preferred share subscribers. Three subscribers make up 46%, 29% and 10% respectively of the amount owing. The full amount of share subscription receivables was received during the three months ended March 31, 2017.

Security was obtained against specific assets of the counterparty, in case of non-performance on the notes receivable. The total carrying value of these financial instruments at March 31, 2017 was \$1,188,262 (December 31, 2016 - \$1,001,201). Two lendees make up 40% and 21% of the Company's notes receivable balance, respectively, at March 31, 2017 (December 31, 2016 – 47% and 15%). Management considered the potential impairment of loans and receivables and concluded that an impairment was not necessary for the three months ended March 31, 2017. (2016 - \$nil).

The Company's consulting fee revenues are primarily derived from one customer. (2016 consulting fees revenue – \$nil). There can be no assurance that all or any of the Company's customers will continue to engage in the Company's services. The Company's payment processing revenues are primarily derived from one customer. (2016 payment processing revenue - \$nil) The loss of any such customer may have a materially negative impact on the Company business conditions and financial results.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of its loans receivable and investments are 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 Company has not hedged its exposure to currency fluctuations.

Fair value of financial instruments

The Company has determined the carrying values of its financial instruments as follows:

- i. The carrying values of cash, accounts receivable, and accounts payable and accrual liabilities approximate their fair values due to the short-term nature of these instruments.
- ii. Notes receivable, long-term notes receivable and long-term investments are carried at amounts in accordance with the Company's accounting policies.
- iii. Mortgages payable approximate their fair values due to the short time since they were received.

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MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued**

- iv. Prior to maturity, the outstanding notes receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimated realizable value.

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the consolidated statements of financial position as at March 31, 2017 and December 31, 2016:

	Level 1 (Quoted market price)	Level 2 (Valuation technique - observable market inputs)	Level 3 (Valuation technique - non- observable market inputs)	Total
Investments, fair value				
Publicly traded investments	\$ 86,618	\$ -	\$ -	\$ 86,618
Private investments	-	-	200,000	200,000
March 31, 2017	\$ 86,618	\$ -	\$ 200,000	\$ 286,618
Publicly traded investments	\$ 95,876	\$ -	\$ -	\$ 95,876
Private investments	-	-	200,000	200,000
December 31, 2016	\$ 95,876	\$ -	\$ 200,000	\$ 295,876

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the three months ended March 31, 2017 and year ended December 31, 2016. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the consolidated statements of loss.

	Three months ended March 31, 2017	Year ended December 31, 2016
Investments classified as Level 3, fair value		
Balance, beginning of year	\$ 200,000	\$ 138,000
Purchase at cost - shares	-	162,500
Exchanged for Level 1 investments	-	(95,205)
Unrealized (loss)/gain	-	3,710
Foreign exchange loss	-	(9,005)
Balance, end of year	\$ 200,000	\$ 200,000

Within Level 3, the Company includes private company investments which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies. The fair values of all of the private company investments held by the Company were determined by recent financings done by the investee other than that described in Note 9(iii).

As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the size of the private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

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For those investments valued based on a recent financing or transaction price, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at March 31, 2017 and December 31, 2016. A +/- 25% change in the fair value of these Level 3 investments as at March 31, 2017 will result in a corresponding +/- \$50,000 (December 31, 2016 - +/- \$50,000). While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2017	2016
Interest paid	\$ 7,115	\$ -

18. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately \$300,000 (December 31, 2016 - \$300,000) ranging from 12 to 18 months and additional contingent payments of up to approximately \$240,000 (December 31, 2016 - \$240,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

The Company has discontinued mining operations in various jurisdictions and has written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor or indemnifier, is not determinable, nor expected to be material, and no amount has been provided for in these condensed interim consolidated financial statements.

The Company leases its office under a lease agreement which commenced October 1, 2016, the following is a summary of its lease commitments for the term of the lease:

< 1 year from reporting date	\$ 43,400
1 to 2 years from reporting date	44,268
2 to 3 years from reporting date	45,136
3 to 4 years from reporting date	45,136
4 to 5 years from reporting date	22,568
	<u>\$ 200,508</u>

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19. SUBSEQUENT EVENTS

Subsequent to March 31, 2017, the Company issued a total of 20,860 "Class – A" preferred shares at \$10 per share for total proceeds of \$208,600.

Subsequent to March 31, 2017, the Company closed a non-brokered private placement of 3,001,000 units at a price of \$0.10 per unit. Each unit is comprised of one common share of the Company, and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for \$0.15 for a period of 36 months from the closing date.

Subsequent to March 31, 2017, the Company entered into debt settlement agreements with an officer and a consultant of the Company and issued 500,000 common shares of the Company with a price of \$0.10 per share to settle \$50,000 of debt owing to the officer and consultant.

Subsequent to March 31, 2017, the Company incorporated a new wholly-owned subsidiary, 1206 Hickory Road Inc., and purchased its third residential rental property at 1209 Hickory Road, Windsor, Ontario. Total purchase price of the property was \$135,000 and an aggregate \$3,774 of capitalized expenses such as legal fees and other costs connected with the property purchase.

Subsequent to March 31, 2017, the Company loaned a further \$303,140 to JIT under the same terms as disclosed in note 13.

Subsequent to March 31, 2017, the Company entered into a loan agreement with an unrelated party where the Company will loan a total of \$104,000 over a period of 40 days from the date of signing. The loan bears interest at a rate of 18% per annum has a maturity date of May 31, 2020. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

Subsequent to March 31, 2017, the Company loaned an advisory services client USD \$78,000 (\$106,430). The loan bears interest at a rate of 14% per annum and has a maturity date of April 10, 2018. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement and a personal guarantee. Until the maturity date, the Company has the right to convert all or a portion of the loan into common shares of the borrower at a conversion price of \$0.05 per share. The borrower also agreed to issue 500,000 common stock purchase warrants with a life of three years to the Company. These warrants will have an exercise price of \$0.05.

See Note 11(d).