



GUNPOWDER CAPITAL CORP.
(Formally Silver Shield Resources Corp.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

August 28, 2017



(CSE:GPC) | (CSE:GPC.PR.A)

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Gunpowder Capital Corp. ("Gunpowder" or the "Company") and the financial performance for the three and six months ended June 30, 2017. This information, prepared as of August 28, 2017, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Gunpowder for the three and six months ended June 30, 2017, as well as the audited consolidated financial statements for the year ended December 31, 2016 and the related management's discussion and analysis (the "Annual MD&A"). The unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A, and specifically the "Outlook" section contains or incorporates forward-looking statements within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only Gunpowder Capital Corp., expectations, estimates and projections regarding future events.

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, Gunpowder Capital Corp., does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and uncertainties".

Overview

Listed on the Canadian Securities Exchange under the trading symbol "GPC" Gunpowder is a newly formed Merchant Bank and Advisory Services Firm. In May 2016 Gunpowder Capital Corp. (formerly Silver Shield Resources Corp.) implemented its new business model under the leadership of a new management team.

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.



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Business Objectives and Milestones

Gunpowder's primary focus for 2017 is to continue to grow as a merchant bank. At the end of 2016, we set goals for 2017 of:

1. Continue to grow our merchant banking and advisory services business.
2. Complete two go-public transactions with advisory clients.

On July 13, 2017, Advantagewon Oil Corp. (CSE: AOC), one of the Company's advisory clients, completed its go-public transaction.

3. Add two additional real estate properties.

During the first two quarters of 2017, the Company completed the acquisition of three tenanted properties in Windsor with a total of nine residential rental units.

4. Continue to examine opportunities to acquire or launch two additional businesses to add to our portfolio.

During the first quarter of 2017, the Company launched its payment processing services which generated revenue of \$69,020 and \$90,067 for the three and six months ended June 30, 2017, respectively.

Subsequent to June 30, 2017, the Company invested in two rehabilitation properties in the United States.

Highlights for the Quarter ended June 30, 2017

Gunpowder continues to execute on its strategic and operational initiatives as highlighted during the quarter and shortly thereafter:

On April 3, 2017, the Company declared a dividend of \$0.20 per outstanding "Class – A" preferred shares to all "Class – A" preferred shareholders of record at the close of March 31, 2017 and a dividend of \$0.20 per outstanding "Class – B" preferred shares to all "Class – B" preferred shareholders of record at the close of March 31, 2017.

On April 19, 2017 and May 22, 2017, the Company loaned USD\$78,000 and CDN\$50,000, respectively, to two companies. The loans which are in good standing and generate 14% to 18% interest per annum.

On May 24, 2017, the Company completed the purchase of its third tenanted residential property in London, Ontario.

On June 29, 2017 and August 16, 2017, the Company completed the purchase of its fourth and fifth tenanted residential properties, in Windsor, Ontario.

On August 4, 2017, the Company invested in two rehabilitation properties in the United States for USD\$50,000 (CDN\$63,022) and USD\$35,000 (CDN\$44,116), respectively.

During the second quarter of 2017, the Company raised \$300,100 through the issuance of common share units at a price of \$0.10 per unit.

During the second quarter of 2017, the Company raised \$404,500 through the issuance of "Class – A" preferred shares at a price of \$10 per share.



(CSE:GPC) | (CSE:GPC.PR.A)

Additional highlights for the Six months ended June 30, 2017

In addition to the highlights noted above for the three months ended June 30, 2017, Gunpowder attained the following initiatives during the first quarter of fiscal 2017:

On January 3, 2017, the Company declared a dividend of \$0.20 per outstanding "Class – A" preferred shares to all "Class – A" preferred shareholders of record at the close of December 30, 2016.

On January 16, 2017, the Company purchased a loan portfolio through issuance of 23,800 "Class – A" preferred shares. The portfolio consist of mortgages and commercial loans which are in good standing. The portfolio generates approximately 16% interest per annum.

On January 31, 2017, the Company completed the purchase of its second tenanted residential property in London, Ontario.

During the first quarter of 2017, the Company raised \$1,001,400 through the issuance of "Class – A" preferred shares at a price of \$10 per share. The Company also raised \$335,500 through the issuance of "Class – B" preferred shares at a price of \$10 per share.

On February 8, 2017, the Company entered into the ATM business through the acquisition of a 12.5% equity interest in JIT Financial Inc. ("JIT").

Outlook

The second quarter of 2017 was another strong quarter for Gunpowder as we continued to build our brand and grow our asset base. We have a robust sales pipeline and hope to announce other opportunities that we have been working on in the coming quarters.

Quarterly results

The following table shows our results of operations for the last eight quarters:

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	255184	\$ 94,190	\$ 85,191	\$ 45,336	\$ 22,195	\$ 12,194	\$ -	\$ -
Net Loss	(202,007)	(155,467)	(207,772)	(629,249)	(408,371)	(148,726)	(1,525,729)	(2,689)
(Loss) per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.01)	(0.15)	(0.00)
Cash	1,111,222	995,953	127,619	397,664	479,052	339,659	171,961	383,558
Mineral properties	-	-	-	954,175	954,175	954,175	2,204,175	2,204,500
Real estate assets	1,834,842	1,548,909	770,166	464,572	464,791	-	-	-
Loans and other investment aseets	1,670,349	1,172,688	907,616	417,097	338,878	283,320	-	-
Dividends paid to "Class - A" and "Class - B" preferred shares shareholders	113,395	40,948	14,359	11,344	5,148	-	-	-



(CSE:GPC) | (CSE:GPC.PR.A)

Results of Operations

GUNPOWDER CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

The following table shows the results of operations for the first three and six months of 2017 compared to the same period last year:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Rental	\$ 33,174	\$ -	\$ 56,405	\$ -
Advisory services	69,111	15,851	70,016	15,851
Payment processing services	69,020	-	90,067	-
Interest	83,879	6,343	132,887	18,538
Total income	255,184	22,194	349,375	34,389
Management fees	134,500	91,062	209,250	142,347
General, office and administrative	65,815	6,102	112,406	18,325
Consulting and other professional fees	65,327	140,738	123,270	164,958
Transfer agent and filing fees	43,856	13,062	52,298	48,143
Non-recoverable input tax credits	34,216	-	34,216	-
Legal and audit fees	31,571	4,939	39,071	12,984
Share-based compensation	31,000	107,700	31,000	107,700
Property taxes and maintenance	25,195	1,393	44,964	1,393
Travel and accommodations	12,562	37,464	20,659	37,464
Mortgage and loan interest	10,858	-	17,972	-
Marketing and investor relations	7,931	41,197	17,758	49,855
Bank service charges	1,794	352	3,393	511
Net loss before other items	(209,441)	(421,815)	(356,882)	(549,291)
Amortization	(12,069)	(251)	(22,080)	(477)
Unrealized loss on investments	24,320	-	15,068	-
Accretion on notes receivable	11,411	-	22,697	-
Foreign exchange	(16,228)	(1,306)	(16,275)	(7,329)
Total other items	7,434	(1,557)	(590)	(7,806)
LOSS AND COMPREHENSIVE LOSS	\$ (202,007)	\$ (423,372)	\$ (357,472)	\$ (557,097)

For the three months ended June 30, 2017

The following table shows revenues from the three months ended June 30, 2017 compared to the same period in the prior year:

	Q2 2017	Q2 2016	Increase/ (decrease) in \$	Increase/ (decrease) in %
Rental	\$ 33,174	\$ -	\$ 33,174	100%
Advisory services	69,111	15,851	53,260	336%
Payment processing services	69,020	-	69,020	100%
Interest	83,879	6,343	77,536	1222%
Total revenues	\$ 255,184	\$ 22,194	\$ 232,990	1050%



(CSE:GPC) | (CSE:GPC.PR.A)

As the Company acquired its first rental property in Q3 of 2016, the Company had not earned rental income in Q2 of fiscal 2016, therefore there was a 100% increase in rental income in Q2 2017 compared to the same period in the prior year.

A significant portion of the advisory services revenue earned in Q2 2017 was related to 1,577,287 shares of Franchise Holdings International Inc. ("FHI") issued to the Company by FHI in relation go-public advisory services to FHI. These shares had a fair market value of \$63,735 on the day of acquisition. Advisory services in the same period in the prior year were less.

Payment processing services were provided by the Company beginning in Q1 of 2017 and therefore \$nil of the same category of revenue was earned during the same period in the prior year.

The interest earned in Q2 2017 had increased substantially (\$77,536) compared to the same period of the prior year since the Company had substantially increased its portfolio in notes receivable from \$210,058 at June 30, 2016 to \$1,307,630 at June 30, 2017. These loans are all in good standing and bear interest rates ranging from 12% to 24%. In addition, the Company recognized approximately \$7,000 of interest during Q2 that was previously unrecognized due to uncertainties on its collectability.

The following table shows operating costs from the three months ended June 30, 2017 compared to the same period in the prior year:

	<u>Q2 2017</u>	<u>Q2 2016</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Management fees	\$ 134,500	\$ 91,062	\$ 43,438	48%
General, office and administrative	65,815	6,102	59,713	979%
Consulting and other professional fees	65,327	140,738	(75,411)	-54%
Transfer agent and filing fees	43,856	13,062	30,794	236%
Non-recoverable input tax credits	34,216	-	34,216	100%
Legal and audit fees	31,571	4,939	26,632	539%
Share-based compensation	31,000	107,700	(76,700)	-71%
Property taxes and maintenance	25,195	1,393	23,802	1709%
Travel and accommodations	12,562	37,464	(24,902)	-66%
Mortgage and loan interest	10,858	-	10,858	100%
Marketing and investor relations	7,931	41,197	(33,266)	-81%
Bank service charges	1,794	352	1,442	410%
Total operating costs	<u>\$ 464,625</u>	<u>\$ 444,009</u>	<u>\$ 20,616</u>	<u>5%</u>

Operating expenses before other items for the quarter was \$464,624 compared to \$444,009 in the same period of the prior year. A total of \$25,195 in property taxes and maintenance and \$10,858 of mortgage and loan interest were incurred in the three months ended June 30, 2017 as compared to \$nil for both expenses in the same period of 2016 as the Company acquired rental properties in Q3 of 2016 and no such expenses existed prior to the date of acquisition.

Management fees of \$134,500 were incurred in the three months ended June 30, 2017 compared to \$91,062 in the same period of 2016 due to the ending of a consultant's contract, an increase in fees to the management of the Company and a bonus of \$50,000 paid to management approved by the Board of Directors of the Company in 2017.

Consulting fees of \$65,327 were incurred in the three months ended June 30, 2017 compared to \$140,738 during the same period in the prior year. The Company had hired a consultant in Q2 of 2016 with a cost the Company a total of \$90,000 in Q2 2016 who is no longer with the Company. As an offset to, the Company hired accounting and administrative staff in Q4 2016 and Q1 2017 to meet the demands of the growing operations of the Company.



(CSE:GPC) | (CSE:GPC.PR.A)

**GUNPOWDER CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

General, office and administrative expenses increased from \$6,102 for the quarter ended June 30, 2016 to \$65,815 for the quarter ended June 30, 2017. This is largely due to the expansion of the Company's operations since Q3 2016 and the acquisition of office space and its associated costs.

Transfer agent and filing fees increased from \$13,062 for the quarter ended June 30, 2016 to \$43,856 for the quarter ended June 30, 2017. A significant portion of this increase is due to the efforts by the Company to be listed in the United States. The Company has incurred approximately \$30,000 of costs in Q2 2017 in relation to these efforts.

The Company has changed its method of recording HST input tax credits during Q2 2017 in that only HST input tax credits which are deemed refundable is recorded as HST receivables. When it is reasonably estimable that a portion of the input tax credits is not eligible for refund, the amount is recorded as an expense. During the three months ended June 30, 2017, the Company recorded an expense of non-recoverable input tax credits of \$34,216 compared to \$nil in the same period in the prior year as this method was only adopted during Q2 2017.

An increase of legal and audit fees from \$4,939 in Q2 2016 to \$31,571 in Q2 2017 is mainly due to increased activity in the Company during Q2 2017 compared to the same period in the prior year.

For the six months ended June 30, 2017

The following table shows revenues from the six months ended June 30, 2017 compared to the same period in the prior year:

	<u>Q1 to Q2</u> <u>2017</u>	<u>Q1 to Q2</u> <u>2016</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Rental	\$ 56,405	\$ -	\$ 56,405	100%
Advisory services	70,016	15,851	54,165	342%
Payment processing services	90,067	-	90,067	100%
Interest	132,887	18,538	114,349	617%
Total revenues	<u>\$ 349,375</u>	<u>\$ 34,389</u>	<u>\$ 314,986</u>	<u>916%</u>

As the Company acquired its first rental property in Q3 of 2016, the Company had not earned rental income in the first six months fiscal 2016, therefore there was a 100% increase in rental income in the first six months of 2017 compared to the same period in the prior year.

A significant portion of the advisory services revenue earned in Q2 2017 was related to 1,577,287 shares of Franchise Holdings International Inc. ("FHI") issued to the Company by FHI in relation go-public advisory services to FHI. These shares had a fair market value of \$63,735 on the day of acquisition. Advisory services in the same period in the prior year were less.

Payment processing services were provided by the Company beginning in Q1 of 2017 and therefore \$nil of the same category of revenue was earned during the same period in the prior year.

The interest earned in first six months of 2017 had increased substantially (\$114,349) compared to the same period of the prior year since the Company had substantially increased its portfolio in notes receivable from \$210,058 at June 30, 2016 to \$1,307,630 at June 30, 2017. These loans are all in good standing and bear interest rates ranging from 12% to 24%.



(CSE:GPC) | (CSE:GPC.PR.A)

The following table shows operating costs from the six months ended June 30, 2017 compared to the same period in the prior year:

	<u>Q1 to Q2</u> <u>2017</u>	<u>Q1 to Q2</u> <u>2016</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Management fees	\$ 209,250	\$ 142,347	\$ 66,903	47%
General, office and administrative	112,406	18,325	94,081	513%
Consulting and other professional fees	123,270	164,958	(41,688)	-25%
Transfer agent and filing fees	52,298	48,143	4,155	9%
Non-recoverable input tax credits	34,216	-	34,216	100%
Legal and audit fees	39,071	12,984	26,087	201%
Share-based compensation	31,000	107,700	(76,700)	-71%
Property taxes and maintenance	44,964	1,393	43,571	3128%
Travel and accommodations	20,659	37,464	(16,805)	-45%
Mortgage and loan interest	17,972	-	17,972	100%
Marketing and investor relations	17,758	49,855	(32,097)	-64%
Bank service charges	3,393	511	2,882	564%
Total operating costs	\$ 706,257	\$ 583,680	\$ 122,577	21%

Operating expenses before other items for the six months ended June 30, 2017 was \$706,256 compared to \$583,680 in the same period of the prior year. A total of \$44,964 in property taxes and maintenance and \$17,972 of mortgage and loan interest were incurred in the sixth months ended June 30, 2017 as compared to minimal amounts for these expenses in the same period of 2016 as the Company began to acquire rental properties in Q3 of 2016.

Management fees of \$209,250 were incurred in the six months ended June 30, 2017 compared to \$142,347 in the same period of 2016 due to an increase in fees to the management of the Company and a bonus of \$50,000 paid to management approved by the Board of Directors of the Company in 2017.

Consulting fees of \$123,270 were incurred in the six months ended June 30, 2017 compared to \$164,958 during the same period in the prior year. The Company had hired a consultant in Q2 of 2016 with a cost the Company a total of \$90,000 in Q2 2016 who is no longer with the Company. As an offset to, the Company hired accounting and administrative staff in Q4 2016 and Q1 2017 to meet the demands of the growing operations of the Company.

General, office and administrative expenses increased from \$18,325 for the six months ended June 30, 2016 to \$112,406 for the six months ended June 30, 2017. This is largely due to the expansion of the Company's operations since Q3 2016 and the acquisition of office space and its associated costs.

The Company has changed its method of recording HST input tax credits during Q2 2017 in that only HST input tax credits which are deemed refundable is recorded as HST receivables. When it is reasonably estimable that a portion of the input tax credits is not eligible for refund, the amount is recorded as an expense. During the six months ended June 30, 2017, the Company recorded an expense of non-recoverable input tax credits of \$34,216 compared to \$nil in the same period in the prior year as this method was only adopted during Q2 2017.

An increase of legal and audit fees from \$12,984 in the six months ended June 30, 2016 to \$39,071 in the six months ended June 30, 2017 is mainly due to increased activity in the Company during Q2 2017 compared to the same period in the prior year.

Marketing and investor relations decreased from \$49,855 in the six months ended June 2016 to \$17,758 in the six months ended June 30, 2017 as the Company changed its business in the second quarter of 2016 and focused its efforts in the second quarter of 2016 in promoting the Company and developing relationships with investors.



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Liquidity and Capital Resources

The following table summarizes cash flows from the three and six months ended June 30, 2017 compared to the same periods in the prior year :

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES \$	68,789	\$ (311,183)	\$ 353,166	\$ (438,475)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	617,977	1,212,934	1,724,082	1,420,149
CASH FLOWS (USED IN) INVESTING ACTIVITIES	(571,497)	(530,208)	(1,093,645)	(674,583)
	115,269	371,543	983,603	307,091
Cash, opening balance	995,953	107,509	127,619	171,961
Cash, end of period	\$ 1,111,222	\$ 479,052	\$ 1,111,222	\$ 479,052

In addition to the operating activities discussed above, the Company generated \$1,724,082 from financing activities (see the unaudited condensed interim consolidated financial statements for details of these transactions) and invested \$571,497 by acquiring a two residential properties and loaning out additional funds to support client growth.

As at June 30, 2017 the Company had total current assets of \$2,107,334 to meet its current liabilities of \$663,350.

To successfully pursue its merchant banking model, the Company plans to continue to raise debt and equity in order to pursue additional deals and build scale.

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to its interests in some or all of its assets / holdings or current properties and / or reduce or terminate its operations.

Additional disclosures

Critical Accounting Estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as at the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates are deemed critical when the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. The Company's significant accounting policies are discussed in Note 1 of the Notes to Consolidated Financial Statements. Critical estimates inherent in these accounting policies are discussed in the following paragraphs.

Changes in Accounting Policies and Future Pronouncements

Revenue recognition

During the six months ended June 30, 2017, the Company began provided payment processing services. Revenue earned from payment processing is recorded when earned.



(CSE:GPC) | (CSE:GPC.PR.A)

Investments in associated companies

During the six months ended June 30, 2017, the Company acquired a 12.5% interest in JIT, a newly incorporate corporation, for a nominal amount. One of the Company's officers was appointed as a director of JIT. As a result, the Company adopted an accounting policy related to 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.

The Company's share of JIT's losses for the six months ended June 30, 2017 exceeded the Company's nominal investment in JIT and therefore JIT's losses were not recorded for the period.

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.

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



(CSE:GPC) | (CSE:GPC.PR.A)

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.

Financial Instruments

Financial assets and financial liabilities as at June 30, 2017:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
June 30, 2017			
Cash	\$ 1,111,222	\$ -	\$ 1,111,222
Accounts and other receivables	71,733	-	71,733
Notes receivable	1,307,630	-	1,307,630
Investments	-	452,298	452,298
Accounts payable and accrued liabilities	(621,517)	-	(621,517)
Mortgages payable	(1,168,943)	-	(1,168,943)

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



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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 June 30, 2017 which made up of approximately 33% (December 31, 2016 – 51%) of the total equity portfolio.

For the three months ended June 30, 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 June 30, 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 \$30,200 (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 June 30, 2017, the Company's current liabilities totaled \$663,350 and cash totaled \$1,111,222. The Company generates cash flow from advisory fees, loan interest payment processing services, and rental income.

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.

The following summarizes the Company's contractual obligations including payments due for each of the next five years and thereafter:

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	\$ 621,517	\$ 621,517	\$ 621,517	\$ -	\$ -	\$ -
Mortgages payable	1,168,943	1,827,298	80,034	160,068	160,068	1,427,128
Loan payable	50,000	65,058	8,400	16,800	16,800	23,058
Total	\$ 1,840,460	\$ 2,513,873	\$ 709,951	\$ 176,868	\$ 176,868	\$ 1,450,187

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.

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.

Contractual Obligations and Commitments

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.



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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		44,702
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		11,284
	\$	189,658

Outstanding share data

As at June 30, 2017, the Company had 30,910,256 common shares issued and outstanding, 369,130 preferred "Class – A" shares issued and outstanding and 33,550 preferred "Class – B" shares issued and outstanding. In addition, the Company has 6,561,137 common share purchase warrants outstanding priced at between \$0.15 and \$0.25 and 2,250,000 stock options entitling the holder to acquire an additional common share by paying \$0.10 to \$0.12 per common share.

As at August 28, 2017, the Company had 30,910,256 common shares issued and outstanding, 446,130 "Class- A" preferred shares issued and outstanding and 33,550 "Class – B" preferred shares issued and outstanding. In addition, the Company has 6,561,137 common share purchase warrants outstanding priced at between \$0.15 and \$0.25 and 2,250,000 stock options entitling the holder to acquire an additional common share by paying \$0.10 to \$0.12 per common share.

Transactions with Related Parties

JIT Financial Inc.

During the three months ended June 30, 2017, the Company loaned \$31,538 to JIT Financial Inc. ("JIT"), in 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 June 30, 2017, the Company loaned \$877,340 to JIT, through a promissory note and a number of amendments of the promissory note. 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 June 30, 2017, GPFS held \$163,206 on behalf of JIT's unused funds and therefore had a receivable of \$745,672 from JIT (December 31, 2016 - \$nil).



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Other related parties

During the three and six months ended June 30, 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Short-term benefits	\$ 74,500	\$ 36,000	\$ 128,000	\$ 72,000
Share-based payments	15,500	51,202	15,500	51,202

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 June 30, 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.

Off Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Proposed Transactions

The Company is not party to any proposed transactions that have not been disclosed elsewhere in this MD&A.

Subsequent Events

Subsequent to June 30, 2017, the Company issued a total of 77,000 "Class – A" preferred shares at \$10 per share for total proceeds of \$770,000.

Subsequent to June 30, 2017, the Company incorporated a new wholly-owned subsidiary, 935 Albert Street Inc.

Subsequent to June 30, 2017, the Company purchased its fifth residential rental property at 1571 Hickory Road, Windsor, Ontario. Total purchase price of the property was \$199,900 and an aggregate \$4,963 of capitalized expenses such as legal fees and other costs connected with the property purchase.

Subsequent to June 30, 2017, the Company invested in two rehabilitation properties in the United States USD\$50,000 (\$63,022) and USD\$35,000 (\$44,116), respectively.

Subsequent to June 30, 2017, the Company loaned a further \$122,660 to JIT under the same terms as disclosed above in the related parties section of this MD&A.

Subsequent to June 30, 2017, the Company entered into a loan agreement where the Company loaned a total of USD\$165,000 (\$214,064). The loan bears interest at a rate of 18% per annum has a maturity date of January 1, 2019. 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. In addition, the borrower will pay the Company a 3% gross royalty based on the monthly gross revenue earned by the borrower in perpetuity.



Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.