



GUNPOWDER CAPITAL CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

AUGUST 29, 2019



(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, 2019. This information, prepared as of August 29, 2019, 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, 2019, as well as the audited consolidated financial statements for the year ended December 31, 2018 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, 2019 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 related to our business".

Overview

Listed on the Canadian Securities Exchange under the trading symbol "GPC" and on the OTCQB Markets under the trading symbol "GNPWF". Gunpowder is a 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.

Business Objectives and Milestones

Gunpowder's primary focus for 2019 is to continue to grow as a merchant bank. The Company's set goals for fiscal 2019 included:

1. Achieve merchant banking and advisory service business revenues of \$1 million.

We expect FNHI to complete their go public in the third quarter of 2019. We are waiting for an update from Payfare which elected not to complete a qualifying transaction with a CPC. We have several other active go public clients that are in the early stages of the process.

2. Continue to develop the Company's blockchain business.

The Company recently announced that it had formed a wholly owned subsidiary, MethodeVerte Inc. to focus on the blockchain business. In addition we announced that appointment of Anthony Pearlman as the President and COO of that subsidiary and that the subsidiary had acquired approximately 1,000 cards that were being actively used in cryptomining operations. We are very excited about this initiative and hope to have many more announcements as we execute on this strategy.

Highlights for the Quarter ended June 30, 2019

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

The Company recently announced that it had formed a wholly owned subsidiary, MethodeVerte Inc. to focus on the blockchain business. In addition we announced that appointment of Anthony Pearlman as the President and COO of that subsidiary and that the subsidiary had acquired approximately 1,000 cards that were being actively used in cryptomining operations.

Outlook

The second quarter of 2019 did not materialize as planned as our two main go public transactions were delayed. We are hopeful that one will be finalized by the third quarter of 2019. We have continued to work on various initiatives and have a robust pipeline of opportunities that we believe will make 2019 a very successful year.

Quarterly results

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

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenue from continuing and discontinued operations	\$ 182,273	\$ 254,224	\$ 163,079	\$ 159,981	\$ 341,458	\$ 302,335	\$ 407,222	\$ 680,501
Net Income (Loss)	(693,501)	(223,722)	(1,648,275)	(668,567)	(124,251)	(184,590)	(107,814)	128,132
Income (Loss) per share - basic and diluted	(0.01)	(0.00)	(0.03)	(0.02)	(0.00)	(0.01)	(0.00)	0.00
Cash	728,144	587,380	981,354	474,330	1,144,379	238,066	992,755	2,124,895
Buildings and improvements	3,231,644	4,555,337	4,562,247	4,542,928	4,559,827	4,287,341	2,900,815	2,193,316
Loans and other investment assets (long term)	2,086,527	2,370,935	921,173	1,516,081	784,922	1,716,458	1,802,968	1,891,890
Dividends paid to common share shareholders	-	-	-	-	-	-	-	216,667
Dividends paid to "Class - A" and "Class - B" preferred shares shareholders	-	101,313	101,314	109,314	121,276	122,276	163,146	80,536

Results of Operations

The following table shows the results of operations for the three and six months ended June 30, 2019 compared to the same period last year.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
INCOME				
Rental	\$ 94,196	\$ 97,322	\$ 201,366	\$ 178,558
Advisory services	17,500	91,994	109,636	113,039
Payment processing services	25,820	58,218	51,373	145,801
Interest	30,293	93,924	59,657	206,396
Cryptocurrency mining	14,464	-	14,464	-
TOTAL INCOME	182,273	341,458	436,496	643,794
EXPENSES				
Consulting and other professional fees	86,152	28,434	186,461	195,602
Management fees	94,300	144,300	178,600	240,600
General, office and administrative	82,164	62,501	148,631	147,798
Property taxes and maintenance	50,550	70,303	112,618	135,070
Marketing and investor relations	34,062	22,153	80,508	47,581
Mortgage and loan interest	49,676	31,142	80,416	58,786
Travel and accommodations	39,788	17,180	80,370	26,200
Amortization	29,163	31,228	61,043	58,399
Legal and audit fees	46,160	41,742	59,303	43,742
Share-based compensation	38,000	-	38,000	-
Transfer agent and filing fees	11,081	9,195	27,869	19,186
Non-recoverable input tax credits	10,866	15,301	21,763	21,445
Bank service charges	7,086	1,790	9,491	3,496
NET (LOSS) BEFORE OTHER ITEMS	(396,775)	(133,811)	(648,577)	(354,111)
Realized gain on investments	(1,300)	16,990	24,388	21,443
Unrealized loss on investments	(280,162)	(16,208)	(259,770)	(9,829)
Accretion on financial instruments	(8,561)	(5,746)	(13,122)	(5,491)
Realized gain on buildings	7,945	-	7,945	-
Foreign exchange (loss) gain	(14,651)	14,521	(28,090)	39,147
TOTAL OTHER ITEMS	(296,729)	9,557	(268,649)	45,270
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (693,504)	\$ (124,253)	\$ (917,226)	\$ (308,841)



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For the three months ended June 30, 2019

The following table shows revenues from continuing operations from the three months ended June 30, 2019 compared to the same period in the prior year:

	<u>Q2 2019</u>	<u>Q2 2018</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Rental	\$ 94,196	\$ 97,322	\$ (3,126)	-3%
Advisory services	17,500	91,994	(74,494)	-81%
Payment processing services	25,820	58,218	(32,398)	-56%
Interest	30,293	93,924	(63,631)	-68%
Cryptocurrency mining	14,464	-	14,464	100%
Total revenues	\$ 182,273	\$ 341,458	\$ (159,185)	-47%

A significant portion of the advisory services revenue earned in Q2 was related to common share purchase warrants of Advantagewon Oil Corporation ("Advantagewon"). The Company has two common officers with Advantagewon. These warrants had a fair market value of \$50,412 on the day of acquisition and was recorded as advisory service revenue. As this was an one-time transaction, advisory services revenue in 2019 did not include this amount.

During the year ended December 31, 2018, the Company ceased a significant portion of its cash clearing business which resulted in the significant decline in the Company's payment processing services revenue and interest revenues in Q2 2019 compared to Q1 2018.

The Company's loan receivable portfolio decreased significantly from Q2 2018 to Q2 2019 as certain loans were repaid and certain loans was considered impaired by management. As such, there was a decrease of interest income of \$63,631 in Q2 2019 compared to the same period in 2018.

The following table shows operating costs for the three months ended June 30, 2019 compared the prior year:

	<u>Q2 2019</u>	<u>Q2 2018</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Consulting and other professional fees	86,152	28,434	\$ 57,718	203%
Management fees	94,300	144,300	(50,000)	-35%
General, office and administrative	82,164	62,501	19,663	31%
Property taxes and maintenance	50,550	70,303	(19,753)	-28%
Marketing and investor relations	34,062	22,153	11,909	54%
Mortgage and loan interest	49,676	31,142	18,534	60%
Travel and accomodations	39,788	17,180	22,608	132%
Amortization	29,163	31,228	(2,065)	-7%
Legal and audit fees	46,160	41,742	4,418	11%
Share-based compensation	38,000	-	38,000	100%
Transfer agent and filing fees	11,081	9,195	1,886	21%
Non-recoverable input tax credits	10,866	15,301	(4,435)	-29%
Bank service charges	7,086	1,790	5,296	296%
Total operating costs	\$ 579,048	\$ 475,269	\$ 103,779	22%

Operating expenses before other items for the year was \$579,048 compared to \$475,269 in the prior year.

Management fees of \$86,152 were incurred in the three months ended June 30, 2019 compared to \$28,434 during the prior year for an increase of \$57,718. The Company had engaged two marketing consultants for \$50,000 in Q2 2019.

Management fees of \$94,300 were incurred in the three months ended June 30, 2019 compared to \$144,300 during the prior year for a decrease of \$50,000. A total of \$60,000 was paid to officers of the Company in Q2 2018 as bonuses which were not paid during Q2 2019.



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For the six months ended June 30, 2019

The following table shows revenues from continuing operations from the six months ended June 30, 2019 compared to the same period in the prior year:

	<u>Q1 to Q2</u> <u>2019</u>	<u>Q1 to Q2</u> <u>2018</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Rental	\$ 201,366	\$ 178,558	\$ 22,808	13%
Advisory services	109,636	113,039	(3,403)	-3%
Payment processing services	51,373	145,801	(94,429)	-65%
Interest	59,657	206,396	(146,739)	-71%
Cryptocurrency mining	14,464	-	14,464	100%
Total revenues	\$ 436,496	\$ 643,794	\$ (207,298)	-32%

During the year ended December 31, 2018, the Company ceased a significant portion of its cash clearing business which resulted in the significant decline in the Company's payment processing services revenue and interest revenues in the first six months of 2019 compared to the same period in 2018.

The Company's loan receivable portfolio decreased significantly from Q2 2018 to Q2 2019 as certain loans were repaid and certain loans was considered impaired by management. As such, there was a decrease of interest income of \$146,739 in the first six months of 2019 compared to the same period in 2018.

The following table shows operating costs for the six months ended June 30, 2019 compared the prior year:

	<u>Q1 to Q2</u> <u>2019</u>	<u>Q1 to Q2</u> <u>2018</u>	Increase/ (decrease) in \$	Increase/ (decrease) in %
Consulting and other professional fees	\$ 186,461	\$ 195,602	\$ (9,141)	-5%
Management fees	178,600	240,600	(62,000)	-26%
General, office and administrative	148,631	147,798	833	1%
Property taxes and maintenance	112,618	135,070	(22,452)	-17%
Marketing and investor relations	80,508	47,581	32,927	69%
Mortgage and loan interest	80,416	58,786	21,630	37%
Travel and accommodations	80,370	26,200	54,170	207%
Amortization	61,043	58,399	2,644	5%
Legal and audit fees	59,303	43,742	15,561	36%
Share-based compensation	38,000	-	38,000	100%
Transfer agent and filing fees	27,869	19,186	8,683	45%
Non-recoverable input tax credits	21,763	21,445	318	1%
Bank service charges	9,491	3,496	5,995	171%
Total operating costs	\$ 1,085,073	\$ 997,905	\$ 87,168	9%

Operating expenses before other items for the period was \$1,085,073 compared to \$997,905 in the prior year.

Management fees of \$178,600 were incurred in the three months ended June 30, 2019 compared to \$240,600 during the prior year for a decrease of \$62,000. A total of \$60,000 was paid to officers of the Company in Q2 2018 as bonuses which were not paid during Q2 2019.

Travel and accommodations expenses increased from \$26,200 in the first six months of 2018 to \$80,370 in the same period of 2019. This increase is due the increased activity in 2019 to develop the Company's advisory business and development of the Company's blockchain business.



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Liquidity and Capital Resources

The following table summarizes cash flows from the three and six months ended June 30, 2019 compared to the prior year:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (380,062)	\$ (383,762)	\$ (752,457)	\$ (646,871)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	201,783	124,489	401,881	(23,577)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	319,043	1,165,587	97,366	822,073
Cash, opening balance	140,764	906,314	(253,210)	151,625
Cash, end of period	\$ 587,380	\$ 238,066	\$ 981,354	\$ 992,755
	\$ 728,144	\$ 1,144,380	\$ 728,144	\$ 1,144,380

In addition to the operating activities discussed above, the Company generated \$401,881 from financing activities (see the unaudited condensed interim consolidated financial statements for details of these transactions).

As at June 30, 2019, Company had total current assets of \$1,062,718 to meet its current liabilities of \$423,591.

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 sell 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 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.

Changes in Accounting Policies and Future Pronouncements

Revenue recognition

During the three and six months ended June 30, 2019, the Company began mining cryptocurrencies. Revenue earned from mining cryptocurrencies is recorded when cryptocurrencies are sold in the open market and cash proceeds are received from the sale.

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IAS 23 – Borrowing Costs (“IAS 23”) was amended in April 2018 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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.

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. 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.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Condensed interim consolidated financial statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.



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Financial Instruments

Financial assets and financial liabilities as at June 30, 2019:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
June 30, 2019			
Cash	\$ 728,144	\$ -	\$ 728,144
Accounts and other receivables	129,518	-	129,518
Notes receivable	375,837	-	375,837
Long-term investments	-	1,782,749	1,782,749
Accounts payable and accrued liabilities	(244,143)	-	(244,143)
Loans payable	(73,768)	-	(73,768)
Mortgages payable	(1,935,357)	-	(1,935,357)

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 two positions as at June 30, 2019 which made up of approximately 42% and 17% (December 31, 2018 – one position, 44%) of the total equity portfolio.

For the three and six months ended June 30, 2019, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of \$104,000 (2018 - \$35,000).

For the three and six months ended June 30, 2019, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of \$74,000 (2018 - \$9,800).

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, 2019, the Company's current liabilities totaled \$423,591 and cash totaled \$728,144. The Company generates cash flow from advisory fees, loan interest, rental income, payment processing services and cryptocurrency mining.

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.



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	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	\$ 244,143	\$ 244,143	\$ 244,143	\$ -	\$ -	\$ -
Mortgages payable	1,935,357	2,883,759	132,745	265,490	265,490	2,220,034
Loans payable	73,768	82,569	42,710	16,800	16,800	6,259
Total	\$ 2,253,268	\$ 3,210,471	\$ 419,598	\$ 282,290	\$ 282,290	\$ 2,226,293

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.

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 June 30, 2019 was \$375,837 (December 31, 2018 - \$243,771). Two lendees make up 63% and 28% of the Company's notes receivable balance, at June 30, 2019 (December 31, 2018 – one lendeed, 97%). Management considered the potential impairment of loans and receivables and recorded an impairment of \$nil for the three and six months ended June 30, 2019 and 2018.

The Company's consulting fee revenues are primarily derived from a small number of customers within Canada. The Company had two customers who represented 60% and 18% of advisory services revenues in the three and six months ended June 30, 2019 (2018 advisory fees revenue – no significant customers). There can be no assurance that all or any of the Company's customers will continue to engage in the Company's services. 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.

Contractual Obligations and Commitments

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately \$315,000 (December 31, 2018 - \$315,000) ranging from 12 to 18 months and additional contingent payments of up to approximately \$240,000 (December 31, 2018 - \$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 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.



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The Company may become party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision is recorded in the consolidated financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of any such matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

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	\$	45,136
1 to 2 years from reporting date		45,136
2 to 3 years from reporting date		22,568
	<u>\$</u>	<u>112,840</u>

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, accounts payable and accrued liabilities and due to related parties 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 as set out in Note 3 of the audited consolidated financial statements.
- iii. Mortgages payable approximate their fair values due to the short time since they were received.
- 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 June 30, 2019:

	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	\$ 758,878	\$ 23,871	\$ -	\$ 782,749
Private investments	-	-	1,000,000	1,000,000
June 30, 2019	<u>\$ 758,878</u>	<u>\$ 23,871</u>	<u>\$ 1,000,000</u>	<u>\$ 1,782,749</u>

Outstanding share data

As at June 30, 2019, the Company had 105,742,770 common shares issued and outstanding, 467,110 preferred "Class – A" shares issued and outstanding and 33,550 preferred "Class – B" shares issued and outstanding. In addition, the Company has 48,407,975 common share purchase warrants outstanding priced at between \$0.075 and \$0.25 and 3,250,000 stock options entitling the holder to acquire an additional common share by paying \$0.10 to \$0.12 per common share.

As at August 29, 2019, the Company had 110,592,770 common shares issued and outstanding, 467,110 "Class- A" preferred shares issued and outstanding and 33,550 "Class – B" preferred shares issued and outstanding. In addition, the Company has 55,981,465 common share purchase warrants outstanding priced at between \$0.075 and \$0.25 and 3,350,000 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 year ended December 31, 2017, the Company loaned \$31,538 to JIT, in which the Company acquired a 12.5% ownership stake. As result of this stake, the Company appointed one of its officers to the Board of Directors of JIT. 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 year ended December 31, 2017, the Company loaned \$1,000,000 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. During the year ended December 31, 2018, this loan was fully repaid to the Company.

On June 1, 2018, the Company disposed of its interest in JIT for \$nil as part of exiting the cash clearing business. Operations related to JIT have been disclosed as discontinued operations in the Company's consolidated statement of loss and comprehensive loss.

Other related parties

During the three and six months ended June 30, 2019 and 2018, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Revenue earned from services			
	Three months ended June 30,		Six months ended September 30,	
	2019	2018	2019	2018
Meryllion Resources Corporation	\$ 7,500	\$ 7,500	\$ 15,000	\$ 15,000
Bitblox Technologies Inc.	10,000	17,000	27,000	34,000

The Company had two common officers with Meryllion Resources Corporation and Bitblox Technologies Inc. Included in accounts receivable are \$16,950 owing from Meryllion and \$30,510 owing from Bitblox as at June 30, 2019 (December 31, 2018 - \$28,278 and \$nil). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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,	
	2019	2018	2019	2018
Short-term benefits	\$ 62,800	\$ 94,800	\$ 115,600	\$ 147,600
Share-based payments	38,000	-	38,000	-

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, 2019, the Company owed \$5,374 (December 31, 2018 - \$5,374) to an officer of the Company and \$nil (December 31, 2018 - \$nil) to directors 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.

Additional Information

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