GUNPOINT EXPLORATION LTD.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(expressed in thousands of Canadian Dollars, unless otherwise noted)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL RESULTS

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

The accompanying interim condensed financial statements of the company have been prepared in accordance with IFRS and are the responsibility of the company's management. The interim condensed financial statements and related financial reporting matters have been reviewed and approved by the audit committee.

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

Management's Responsibility

To the Shareholders of Gunpoint Exploration Ltd.:

Management is responsible for the preparation and presentation of the accompanying unaudited Interim Condensed Consolidated Financial Statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the unaudited Interim Condensed Consolidated Financial Statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of Gunpoint Exploration Ltd.'s external auditors.

We draw attention to Note 1 in the unaudited Interim Condensed Consolidated Financial Statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($000's)	Notes		As at March 31, 2023		As at December 31, 2022
ASSETS					
Current assets					
Cash		$	1,881	$	1,145
Accounts receivable and prepaids			39		43
			1,920		1,188
Non-current assets					
Investment in mineral properties	7		5,175		6,021
Investments	8		728		890
Reclamation deposit			323		237
		$	8,146	$	8,336
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9	$	107	$	127
			107		127
Non-current liabilities					
Reclamation obligation			288		225
Total liabilities		$	395	$	352
SHAREHOLDERS' EQUITY					
Share capital	11		13,271		13,271
Reserves	11		43,744		43,678
Deficit			(49,264)		(48,965)
Total shareholders' equity			7,751		7,984
		$	8,146	$	8,336

Nature of operations and going concern (1)

-- The accompanying notes form an integral part of these interim condensed consolidated financial statements --

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

		Three Months Ended	
($000's)	Notes	**March 31, 2023**	March 31, 2022
Expenses			
Exploration		**$ 34**	$ 1
General and administrative		**50**	37
Professional fees		**35**	54
Share-based compensation		**65**	74
Total expenses		**184**	166
Loss before other income (expense)		**(184)**	(166)
Other income (expense)			
Foreign exchange gain (loss)		**47**	170
Unrealized gain (loss) on available for sale investment		**(162)**	511
Gain on debt settlement		**-**	103
Total other income (expense)		**(115)**	784
Net income (loss) and comprehensive income (loss)		**$ (299)**	$ 618
Loss per common share, basic and diluted		**$ (0.01)**	$ 0.01
Weighted Average Shares Outstanding			
Basic and diluted		**50,844,933**	49,944,933

-- The accompanying notes form an integral part of these interim condensed consolidated financial statements --

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($000s)	Number of Shares	Share Capital	Additional Paid-in Capital	Warrants Reserves	Share-based Payment Reserves	Convertible Debenture Reserves	Deficit	Total Equity
Balance as at December 31, 2021	43,501,600	$ 9,637	$ 41,510	$ 43	$ 1,787	$ 65	$ (48,109)	$ 4,933
Shares for debt settlement	3,443,333	1,963	-	-	-	-	-	1,963
Private placement	3,000,000	1,345	-	110	-	-	-	1,455
Share-based compensation	-	-	-	-	74	-	-	74
Net income for the period	-	-	-	-	-	-	618	618
Balance as at March 31, 2022	49,944,933	$ 12,945	$ 41,510	$ 153	$ 1,861	$ 65	$ (47,491)	$ 9,043
Balance at December 31, 2022	**50,844,933**	**13,271**	**41,510**	**183**	**1,920**	**65**	**- 48,965**	**$ 7,984**
Share-based compensation	**-**	**-**	**-**	**-**	**65**	**-**	**-**	**65**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(299)**	**(299)**
Balance at March 31, 2023	**50,844,933**	**$ 13,271**	**$ 41,510**	**$ 183**	**$ 1,985**	**$ 65**	**$ (49,264)**	**$ 7,751**

-- The accompanying notes form an integral part of the interim condensed consolidated financial statements --

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
($000's)	**March 31, 2023**	March 31, 2022
OPERATING ACTIVITIES		
Net loss	**$ (299)**	$ 618
Items not affecting cash		
Unrealized foreign exchange loss (gain)	**(47)**	(170)
Unrealized loss (gain) from investment	**162**	(511)
Share-based compensation charges	**65**	74
Gain on debt settlement	**-**	(103)
	(119)	(92)
Change in non-cash operating working capital		
Amounts receivable and prepaids	**4**	(22)
Accounts payable and accruals	**(20)**	186
Cash used in operating activities	**(135)**	72
FINANCING ACTIVITIES		
Proceeds from private placement	**-**	1,500
Share issuance costs	**-**	(45)
Cash used in financing activities	**-**	1,455
INVESTING ACTIVITIES		
Proceeds from mineral option agreements	**1,005**	-
Reclamation bond obligation	**23**	-
Mineral properties expenditure	**(159)**	(69)
Cash used in investing activities	**869**	(69)
Increase (decrease) in cash and cash equivalents	**734**	1,458
FX impact on Cash	**2**	(2)
Cash - beginning of period	**1,145**	84
Cash - end of period	**$ 1,881**	$ 1,540

-- The accompanying notes form an integral part of these interim condensed consolidated financial statements --

1) Nature of operations and going concern

Gunpoint Exploration Ltd. ("Gunpoint" or the "Company") was incorporated under the laws of British Columbia on October 27, 1989. Gunpoint is focused on the acquisition and exploration of precious metals located in the United States, Mexico, and Guatemala.

Gunpoint is domiciled in Vancouver, Canada and its common shares are listed on the TSX Venture Exchange under the trading symbol "GUN: TSXV". The Company is controlled by Chesapeake Gold Corp. ("Chesapeake") which owns 67% of the Company's common shares. The Company's registered office is at Suite 201 - 1512 Yew Street, Vancouver, BC, V6K 3E4, Canada.

These interim condensed consolidated financial statements (the "Financial Statements") have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has not generated operating revenue from its mineral properties. The ability of the Company to continue as a going concern is dependent upon obtaining additional equity and/or debt financing for the exploration and development of its mineral properties. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

($000's)		March 31, 2023		December 31, 2022
Working capital surplus	$	1,813	$	1,061
Deficit	$	(49,264)	$	(48,965)

These Financial Statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these Financial Statements; these adjustments could be material.

2) Basis of presentation - statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards 34, "Interim Financial Reporting" ("IAS34") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC"). These Financial Statements are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's audited financial statements. Given that certain information and note disclosures, which are included in the audited financial statements, have been condensed or excluded in accordance with IAS 34, these Financial Statements should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2022, including the accompanying notes thereto, which are available on SEDAR at www.sedar.com.

These Financial Statements were approved and authorized by the Board of Directors on May 16, 2023.

The policies set out below were consistently applied to all periods presented.

The Financial Statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The Financial Statements are presented in Canadian dollars.

3) Use of estimates and judgments

The preparation of these Financial Statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments
The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

i. Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions;
ii. Management is required to assess impairment in respect of its investment in mineral properties. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. Management has determined that there were no triggering events present as defined in IFRS 6 for the other properties and as such, no impairment loss was recorded for the period ended March 31, 2023 or for the year ended December 31, 2022;
iii. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects;
iv. Management is required to assess the present value of asset retirement obligations with respect to its mineral properties. Judgment has been applied with respect to the Company's annual discount rate and for the expected time period when those future retirement obligations are expected to be incurred; and
v. Factors used in the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period.

Accounting Estimates and Assumptions
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made;
ii. Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model; and
iii. Other significant accounting estimates including the carrying value of investment.

4) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are consistent with those applied and disclosed in the most recent audited annual consolidated financial statements. For a complete summary of significant accounting policies, please refer to the Company's audited consolidated financial statements for the year ended December 31, 2022.

5) Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its resource properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and investments. There were no changes in the Company's approach to capital management during the period ended March 31, 2023. The Company is not subject to externally imposed capital requirements.

6) Financial instruments and risk management

a) Financial instrument classification and measurement

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(000's)	Level 1	Level 2	Level 3	March 31, 2023
Investments	$ 728	$ -	$ -	$ 728

(000's)	Level 1	Level 2	Level 3	December 31, 2022
Investments	$ 890	$ -	$ -	$ 890

The fair value of other financial instruments, including cash, accounts payable and accrued liabilities, promissory note payable, and amounts due to a related party, approximate their carrying values due to the relatively short-term maturity of these instruments. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the period ended March 31, 2023 or the year ended December 31, 2022.

The fair values of financial instruments are summarized as follows:

	March 31, 2023		December 31, 2022	
(000's)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash	$ 1,881	$ 1,881	$ 1,145	$ 1,145
Investments	$ 728	$ 728	$ 890	$ 890
Financial liabilities				
Accounts payable and accrued liabilities	$ 107	$ 107	$ 127	$ 127

b) Credit risk

The Company's credit risk is primarily attributable to cash. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The Company's cash is held through large Canadian financial institutions. As at March 31, 2023, management considers the Company's exposure to credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure as described in Note 5. The accounts payable and accrued liabilities are due within the current operating period.

As at March 31, 2023, the Company had a cash balance of $1,881,000 (December 31, 2022 – $1,145,000) to settle current liabilities of $107,000 (December 31, 2022 - $127,000). So far, the Company is not profitable and has had to primarily rely on the issuance of equity securities for cash, primarily through private placements and from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

d) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in the equity markets. The Company closely monitors market values to determine the most appropriate course of action.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

f) Currency risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the United States, Mexico, and Guatemala. Certain costs and expenses are incurred in US dollars, Mexican pesos, and Guatemalan quetzal. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

g) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to find exploration and development activities is subject to risk associated with fluctuations in the market price of commodities.

7) Mineral properties

(000's)		Talapoosa
Balance as at 31 December 2021	$	5,778
Licence, dues and fees		272
Geological and engineering		257
Other		36
Recovery from option agreement		(322)
Balance as at 31 December 2022		6,021
Licence, dues and fees		145
Geological and engineering		14
Recovery from option agreement		(1,005)
Balance as at March 31, 2023	$	5,175

a) Talapoosa - Appaloosa (Nevada, USA)

Talapoosa – Appaloosa (Nevada, USA)
The Company has a 100% interest in the Talapoosa gold property ("Talapoosa') located in Lyon County, Nevada. Talapoosa consists of 535 unpatented lode mining claims, including 509 claims owned by the Company and 26 claims subject to a lease agreement with a third party (the "Unpatented Leased Land"). There are 6 additional leased fee land sections (the "Leased Fee Lands") and a portion of one additional fee land section owned by one of the Company's US subsidiaries. These claims are administered by the Bureau of Land Management ("BLM") and the aggregate annual payments to (i) the BLM and Lyon County, (ii) the holder of the Unpatented Leased Claims, and (iii) the holders of the Leased Fee Lands are approximately US$218,000.

Appaloosa
The Appaloosa property ("Appaloosa") lies within the Talapoosa land package located 1 kilometre northeast of the Talapoosa trend. On September 27, 2022, the Company signed a farm-in agreement with Newcrest Resources Inc. ("Newcrest") to explore Appaloosa ("Newcrest Agreement"). Newcrest has the right to acquire, in multiple stages, up to a 75% interest in Appaloosa for cumulative exploration and development expenditures of US$35 million, cash payments totalling US$5 million to Gunpoint and completing a minimum indicated level mineral resource estimate of 1 million gold ounces.

amount expressed in Canadian Dollars, unless otherwise noted

Agreement Summary Structure:

Stage	Payment	Expenditure	Newcrest Interest (%)	Time Schedule
Investigation	US$250,000	-	-	completed
Option Phase	US$750,000	US$2,000,000[1]	-	18 months
Stage 1	US$1,500,000	US$10,000,000	51%	3 years
Stage 2[2]	US$1,000,000	US$23,000,000	65%	3 years
Stage 3	US$1,500,000	Minimum Mineral Resource Estimate of 1.0 million Gold Ounces	75%	2 years

1. Minimum expenditure commitment required by Newcrest if it elects to enter into the Option Phase
2. If Newcrest elects to terminate Stage 2 or does not earn the additional 14%, Newcrest's interest in Appaloosa will decrease to a 49% interest

Investigation and Option Phases

In September 2022, Gunpoint received $322,000 (US$250,000) upon signing the Newcrest Agreement. In January 2023, Newcrest elected to enter into the Option Phase and continue to explore Appaloosa by providing a $1,005,000 (US$750,000) cash payment to the Company in January 2023. The Option Phase is an 18-month period from signing the Newcrest Agreement, and Newcrest will undertaking a minimum US$2 million in exploration expenditures during the Option Phase. Newcrest will not earn a vested interest in Appaloosa during the Investigation and Option Phases.

Terms of Earn-In

The earn-in phase ("Earn-in Phase") consists of three stages whereby Newcrest can earn up to a 75% interest in Appaloosa over an eight-year period. Newcrest will act as manager during the earn-in phase.

Stage 1 Phase

Newcrest may elect to earn a 51% interest by providing a cash payment of US$1.5 million and spending US$10 million in exploration expenditures over 3 years. The Stage 1 Phase may be extended by Newcrest for one year by providing payment of US$250,000 to Gunpoint or for force majeure.

Stage 2 Phase

Newcrest may elect to earn an additional 14% interest (65% total) by making a cash payment to Gunpoint of US$1 million and spending an additional US$23 million over 3 years in exploration expenditures (total of US$35 million). Newcrest is required to spend US$5 million in exploration expenditures per twelve-month period during the 3 years. If Newcrest does not make such election or does not earn the additional 14% interest in Appaloosa in Stage 2, then Newcrest's interest will decrease to 49% and Gunpoint will have the right to elect to purchase the 49% interest for Fair Value. The Stage 2 Phase may be extended by Newcrest for one year by providing payment of US$250,000 to Gunpoint or for force majeure.

Stage 3 Phase

If Newcrest elects to proceed to the Stage 3 Phase of the earn-in, they will make a US$1.5 million cash payment to Gunpoint and have the right to earn an additional 10% interest (75% total) by delivering a JORC or National Instrument 43-101 compliant indicated mineral resource of at least 1 million gold ounces. The Stage 3 Phase may be extended by Newcrest for one year by providing payment of US$250,000 to Gunpoint or for force majeure.

Purchase Option

If Newcrest has earned a 75% interest in Appaloosa, Newcrest will have the option, within 120 days, to acquire Gunpoint's remaining 25% interest for the greater of fair value at the time of payment or US$25 million.

b) Cerro Minas Project (Oaxaca State, Mexico)

The Cerro Minas Property ("Cerro Minas") is located 130 kilometres southwest of Oaxaca City and comprises 899 hectares. In October 2022, Madoro Metals Corp. ("Madoro"). completed the acquisition of Cerro Minas by making a cash payment of $55,000 (US$40,000) and issuing 300,000 common shares to the Company with a fair value of $12,000. The cash and fair value of common shares received for the option agreement were recorded in other income.

c) El Escorpion (Guatemala)

The Company acquired a 100% interest in El Escorpion by issuing 500,000 common shares to Chesapeake and assuming the remaining property payments to the prior concession owner. To date, the concession owner has received US$331,000 of the US$351,000 purchase price.

The El Escorpion property is located 85 kilometres southeast of Guatemala City, Guatemala. El Escorpion is situated 7 kilometres southwest of Pan American Silver Corp.'s world class Escobal silver deposit. The Escobal land package surrounds El Escorpion. If Chesapeake elects to purchase the existing 1.0% NSR from the concession owner, Chesapeake will be granted a 0.5% NSR royalty from Gunpoint.

On 19 August 2015, the Ministry of Energy and Mines granted title for the El Escorpion concessions. In late 2016, the Constitutional Court of Guatemala temporarily suspended permits for several mineral concessions in the country including El Escorpion. The Constitutional Court is seeking a review of the stakeholder engagement process. Gunpoint has initiated a follow up consultation with the local community to support the cancellation of the suspension. The prior concession owner has agreed to an extension of the final payment of US$20,000 to purchase El Escorpion until the exploration suspension is lifted.

8) Investments

(000's)		
Fair value as at 31 December 2021	$	1,328
Acquired		12
Unrealized loss		(450)
Fair value as at 31 December 2022	$	890
Acquired		0
Unrealized loss		(162)
Fair value as at March 31, 2023	$	728

Investments are designated as fair value through profit and loss and carried at market value. Unrealized gains and losses are classified as part of the calculation of net income or loss. During the period ended March 31, 2023, the unrealized loss recorded in investments is $162,000 (December 31, 2022 -$450,000).

9) Promissory note

On January 11, 2022, the Company completed a debt settlement transaction by issuing 1,723,333 common shares with a fair value of $982,000 to settle a promissory note and accrued interest totalling $1,034,000 ($700,000 principal and $334,000 interest, which was recorded in accounts payable and accrued liabilities) owed to a company controlled by the President of the Company, resulting in a gain on settlement of $52,000 for the year ended December 31, 2022. See Notes 10(b) and 11.

10) Share capital

a) Authorized:

The Company's authorized share capital consists of an unlimited number of common shares without par value and 50,000,000 preferred shares without par value.

b) Issued:

On January 11, 2022, the Company issued 3,443,333 common shares with a fair value of $1,963,000 to settle amounts due to a related party, Chesapeake, of $1,032,000 and to settle promissory note and accumulated interest owed to a company controlled by the President of the Company of $1,034,000 (see Notes 9 and 11).

On February 28, 2022, the Company completed a private placement of 3,000,000 units at $0.50 per unit for gross proceeds of $1,500,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.75 until February 28,2024. The fair value of the share purchase warrants was $140,000, which was determined using the Black-Scholes option pricing model assuming volatility of 54%, expected life of 2 years, risk-free rate of 1.44%, and no expected forfeitures or dividends.

On October 4, 2022, the Company issued 900,000 common shares to the President of the Company for proceeds of $225,000 pursuant to the exercise of stock options. The fair value of stock options of $126,000 was transferred from share-based payment reserve to share capital.

c) Summary of stock option activity

The Company has a share option plan which provides for equity participation in the Company by its directors, officers, employees, consultants, and consultant companies through the acquisition of common shares pursuant to the grant of options to purchase shares. The option plan is administered by the Board of Directors. Options may be granted on such terms as the Board may determine within the limitations of the option plan and subject to the rules and policies of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 10% of the issued and outstanding common shares as at the date of grant. The options will be exercisable for 5 years from the grant date with vesting terms to be determined at the time by the Board of Directors.

Share-based compensation expense is determined using Black-Scholes option pricing model. On November 10, 2022, the Company granted 200,000 incentive stock options to a director under its stock option plan, at an exercise price of $0.60 per share for a term of five years. The options will vest and be exercisable on the basis of 25% annually commencing November 10, 2023, the first anniversary of the date of the grant. The fair value of the stock options granted was determined using the Black-Scholes option pricing model assuming volatility of 49%, risk-free rate of 1.32%, expected life of 5 years, and no expected dividends or forfeitures.

amount expressed in Canadian Dollars, unless otherwise noted

During the period ended March 31, 2023, the Company recognized total share-based compensation expense of $65,000 (March 31, 2022 – $74,000).

As at March 31, 2023, the weighted average remaining contractual life of outstanding stock options is 3.45 years (December 31, 2022 - 3.7 years) and a weighted average fair value of stock options granted was $0.29 (December 31, 2022 - $0.29).

Stock option activity during the period ended March 31, 2023 and the year ended December 31, 2023 is as follows:

	March 31, 2023		December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance – Beginning balance	1,965,000	$0.57	2,965,000	$0.46
Granted	-	-	200,000	$0.60
Exercised	-	-	(900,000)	$0.25
Expired/cancelled	-	-	(300,000)	$0.48
Balance – Ending balance	1,965,000	$0.57	1,965,000	$0.57

Details of stock options outstanding as at March 31, 2023 and December 31, 2022 are as follows:

		March 31, 2023		December 31, 2022	
Expiry Date	Exercise Price	Number of Options	Number of Options Vested	Number of Options	Number of Options Vested
May 2, 2023	$0.25	150,000	150,000	150,000	150,000
November 23, 2026	$0.60	1,615,000	403,750	1,615,000	403,750
November 10, 2027	$0.60	200,000	-	200,000	-
		1,965,000	553,750	1,965,000	553,750

Subsequent to the period ended March 31, 2023, 50,000 stock options at a price of $0.25 per share were exercised and 100,000 stock options at a price of $0.25 per share expired.

d) Warrants

The fair value of the warrants granted was determined using the Black-Scholes option pricing model assuming volatility of 54%, risk-free rate of 1.44%, expected life of 2 years, and no expected dividends or forfeitures. Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

Warrant activity during the period ended March 31, 2023 and the year ended December 31, 2022 are as follows:

	March 31, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance – beginning balance	1,500,000	$0.75	-	-
Issued	-	-	1,500,000	$0.75
Balance – ending balance	1,500,000	$0.75	1,500,000	$0.75

Details of warrants outstanding as at March 31, 2023 and December 31, 2022 are as follows:

		March 31, 2023	December 31, 2022
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
February 28, 2024	$0.75	1,500,000	1,500,000

As at March 31, 2023, the weighted average remaining contractual life of outstanding warrants is 0.92 years (December 31, 2022 - 1.17) and a weighted average exercise price of $0.75 (December 31, 2022 - $0.75).

11) Related party transactions

The following table summarizes the transactions with the Company's key management and directors:

($000's)		March 31, 2023		March 31, 2022
Management fees	$	17	$	25
Stock-based compensation to officers and directors	$	65	$	74

During the period ended March 31, 2023, management fees of $17,000 (March 31, 2022 – $25,000) were paid to the Company's Chief Financial Officer ("CFO") and are included in professional fees.

During the period ended March 31, 2023, the Company recognized share-based compensation expense of $65,000 (March 31, 2022 - $74,000) for stock options issued to employees, officers, and directors of the Company.

On January 11, 2022, the Company completed a debt settlement transaction by issuing 1,720,000 common shares with a fair value of $981,000 to settle amounts due to Chesapeake, the Company's parent, in the amount of $1,032,000, resulting in a gain on settlement of $51,000. See Notes 9 and 10(b).

On October 4, 2022, the Company issued 900,000 common shares to the President of the Company for proceeds of $225,000 pursuant to the exercise of stock options. The fair value of stock options of $126,000 was transferred from share-based payment reserve to share capital.

12) Segment disclosures

The Company's assets and operations are primarily located in Canada and USA.

($000's)		Canada		USA		Total
March 31, 2023						
Non-current assets						
Investment in mineral properties	$	-	$	5,175	$	5,175
Investments	$	398	$	330	$	728
Reclamation deposits	$	-	$	323	$	323
December 31, 2022						
Non-current assets						
Investment in mineral properties	$	-	$	6,021	$	6,021
Investments	$	350	$	540	$	890
Reclamation deposits	$	-	$	237	$	237