Gunpoint Exploration Ltd.

Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018
(expressed in thousands of Canadian dollars, except where indicated)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gunpoint Exploration Ltd.

Opinion

We have audited the consolidated financial statements of Gunpoint Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $275,100 during the year ended December 31, 2019 and, as of that date, had a working capital deficit of $328,800 and an accumulated deficit of $48,686,600. In addition, the Company has not generated operating revenue and relies on debt and equity funding to support its operations. As stated in Note 1, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Henry Chow.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 29, 2020

Gunpoint Exploration Ltd.

Consolidated Statements of Financial Position

(Amounts expressed in thousands of Canadian dollars, except where indicated)

	Note	As at December 31, 2019	As at December 31, 2018
Assets			
Current assets			
Cash	6	$ 653.5	$ 1,072.3
Amounts receivable and prepaid expenses		6.5	9.2
		660.0	1,081.5
Long-term investment	6,7	442.2	480.3
Investment in mineral properties	8	5,176.8	4,929.9
Reclamation deposits		227.8	215.6
Total assets		$ 6,506.8	$ 6,707.3
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6,9	$ 288.8	$ 254.2
Promissory note	9	700.0	700.0
		988.8	954.2
Due to related party	6,12	1,035.1	1,057.5
Decommissioning obligation		215.6	226.5
Total liabilities		2,239.5	2,238.2
Shareholders' equity			
Share capital	10	9,637.4	9,637.4
Reserves		43,316.5	43,243.2
Deficit		(48,686.6)	(48,411.5)
Total shareholders' equity		4,267.3	4,469.1
Total liabilities and shareholders' equity		$ 6,506.8	$ 6,707.3

Nature of operations and going concern (note 1)
Subsequent event (note 15)

Approved by the Board of Directors

___________"P. Randy Reifel"_____________ Director _________"Gerald L. Sneddon"_________ Director

(The accompanying notes are an integral part of these consolidated financial statements)

Gunpoint Exploration Ltd.

Consolidated Statements of Operations and Comprehensive Loss

(Amounts expressed in thousands of Canadian dollars, except where indicated)

	Note	December 31, 2019	December 31, 2018
Operating expenses			
Exploration		$ (23.0)	$ (1.7)
General and administrative		(84.0)	(32.0)
Professional fees		(48.6)	(48.8)
Share-based compensation	11	(73.3)	(72.6)
		(228.9)	(155.1)
Other income (expenses), net			
Finance costs		(36.1)	(36.0)
Foreign exchange gain (loss)		(88.4)	66.3
Other income (expenses)	8(b), (c), (d)	173.4	90.7
Unrealized loss on investment	7	(95.1)	(601.3)
Impairment of investment in mineral properties		-	(571.2)
Total other income (expenses)		(46.2)	(1,051.5)
Net loss before income taxes		(275.1)	(1,206.6)
Deferred income tax recovery		-	78.7
Net loss and comprehensive loss		(275.1)	(1,127.9)
Loss per share			
Basic and diluted		(0.01)	(0.03)
Weighted average shares outstanding			
Basic and diluted		43,501,600	43,501,600

(The accompanying notes are an integral part of these consolidated financial statements)

Gunpoint Exploration Ltd.

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of Canadian dollars, except where indicated)

	Notes	Shares	Share capital	Additional paid-in capital	Warrant reserves	Share-based payments reserves	Convertible debentures reserves	Investment revaluation reserves	Deficit	Total equity
Balance at December 31, 2018		43,501,600	$ 9,637.4	$ 41,509.9	$ 43.0	$ 1,625.2	$ 65.1	$ -	$ (48,411.5)	$ 4,469.1
Net loss for the year		-	-	-	-	-	-	-	(275.1)	(275.1)
Share-based compensation charges	11	-	-	-	-	73.3	-	-	-	73.3
Balance at December 31, 2019		43,501,600	$ 9,637.4	$ 41,509.9	$ 43.0	$ 1,698.5	$ 65.1	$ -	$ (48,686.6)	$ 4,267.3
Balance at December 31, 2017		43,501,600	$ 9,637.4	$ 41,509.9	$ 43.0	$ 1,552.6	$ 65.1	$ (26.0)	$ (47,257.6)	$ 5,524.4
Net loss for the year		-	-	-	-	-	-	-	(1,127.9)	(1,127.9)
Unrealized loss on available for sale investments		-	-	-	-	-	-	26.0	(26.0)	-
Share-based compensation charges		-	-	-	-	72.6	-	-	-	72.6
Balance at December 31, 2018		43,501,600	$ 9,637.4	$ 41,509.9	$ 43.0	$ 1,625.2	$ 65.1	$ -	$ (48,411.5)	$ 4,469.1

(The accompanying notes are an integral part of these consolidated financial statements)

Gunpoint Exploration Ltd.

Consolidated Statement of Cash Flows

(Amounts express in thousands of Canadian dollars, except where indicated)

	Note	December 31, 2019	December 31, 2018
Cash used in operating activities			
Net loss		$ (275.1)	$ (1,127.9)
Items not affecting cash			
Unrealized foreign exchange loss (gain)		88.4	(66.3)
Deferred income tax recovery		-	(78.7)
Share-based compensation	11	73.3	72.6
Unrealized losses from investment		95.1	601.3
Impairment of mineral properties		-	571.2
Shares received from option agreements	8(b), (c), (d)	(57.0)	(52.0)
		(75.3)	(79.8)
Change in non-cash operating working capital			
Amounts accounts receivable and prepaid expense		2.7	1.8
Accounts payable and accruals		34.5	37.5
		(38.1)	(40.5)
Cash flows used in investing activities			
Mineral property expenditures		(246.9)	(255.8)
		(246.9)	(255.8)
Foreign exchange impact on cash		(133.8)	89.0
(Decrease) increase in cash		(418.8)	(207.3)
Cash– beginning of year		1,072.3	1,279.6
Cash– end of year		653.5	1,072.3

(The accompanying notes are an integral part of these consolidated financial statements)

1 Nature of operations and going concern

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

The Company 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 74% of the Company. The Company's registered office is at Suite 1201 – 1166 Alberni Street, Vancouver BC, V6C 3A6, Canada.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a consolidated net loss of $275.1 for the year ended December 31, 2019 (2018 - $1,127.9), and an accumulated deficit of $48,686.6 as at December 31, 2019 (2018 - $48,411.5). The Company has a working capital deficiency of $328.8 as at December 31, 2019 (2018 – surplus of $127.3). 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. The Company continues to reduce operating expenditures to minimize cash outflows. These conditions indicate the existence of material uncertainties that may cast substantial doubt about the Company's ability to continue as a going concern.

The Company is currently holding its mineral properties on care and maintenance until additional financing can be raised from joint venture partners, divestures, and investors.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

These consolidated financial statements do not include any adjustments to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all periods presented.

These consolidated 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 consolidated financial statements are presented in Canadian dollars.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2020.

New Accounting Standards Adopted during the period

IFRS 16 – Leases

IFRS 16 sets out the principles for recognition, measurement, presentation, and disclosure of leases. IFRS 16 replaces the current guidance in IAS 17 where lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and did not have an impact on the consolidated financial statements as all material leases are less than 12 months in duration and elected as short-term leases.

3 Significant accounting judgments and estimates

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

(Amounts expressed in thousands of Canadian dollars, except where indicated)

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 consolidated financial statements:

i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;

ii. 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;

iii. 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 year ended December 31, 2019; and

iv. 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.

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;

iii. Management's assessment regarding the Company's ability to continue as a going concern; and

iv. Other significant accounting estimates include the valuation of amounts receivable, and carrying value of investment in mineral properties.

4 Significant accounting policies

Basis of consolidation

Control exists when the Company is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to offset those returns through its power over the subsidiary. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until control ceases. The following subsidiaries are consolidated:

		Percentage owned	
	Country of incorporation	December 31, 2019	December 31, 2018
Gunpoint Exploration Ltd.	Canada	100%	100%
American Gold Capital US Inc.	United States	100%	100%
Gunpoint Exploration US Ltd.	United States	100%	100%
Minera CJ Gold, S.A. DE C.V	Mexico	100%	100%
Hunt Exploracion S.A.	Guatemala	100%	100%

Significant intercompany balances and transactions have been eliminated.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its controlled entities is measured using the currency of the primary and secondary economic environment in which that entity operates. When the primary and secondary indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to the primary indicators in before considering the secondary and other indicators, which are designed to provide additional supporting evidence to determine an entity's functional currency. All of the foreign operations are carried out as an extension of the parent Company, rather than being carried out with a significant degree of autonomy.

The functional currency of the Company and its controlled entities is summarized as follows:

	Functional Currency
Gunpoint Exploration Ltd.	CAD
American Gold Capital US Inc.	CAD
Gunpoint Exploration US Ltd.	CAD
Minera CJ Gold, S.A. DE C.V	CAD
Hunt Exploracion S.A.	CAD

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the consolidated statement of operations in the period in which they arise.

Equipment

Equipment is initially recognized at cost, which includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use. All items of equipment are subsequently carried at cost less depreciation, and impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided at the following annual rates on a declining basis:

Asset	Rate
Computer equipment	30%
Computer software	30%
Office equipment	20%
Exploration equipment	20%
Vehicles	25%

Residual value estimates and estimates of useful life are reviewed annually, and adjusted if appropriate.

Investment in mineral properties

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs, net of recoveries which include payments received on option agreements relating to the acquisition of and exploration for mineral claims. Such costs include, but are not limited to, staking and claims management, options payments, geological, geophysical studies, sampling and drilling. Unproven mineral interest assets are assessed for impairment when the facts and circumstances suggest that its carrying amount may exceed its recoverable amount and when the Company has sufficient information to reach a conclusion about technical feasibility and commercial viability. Industry specific indicators of the existence of a potential impairment typically include the absence of plans to incur substantive expenditure on further exploration over a reasonable time horizon, conditions where title is compromised, adverse changes in the taxation, regulatory or political environment and adverse changes in currencies, commodity prices and markets.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, unproven mineral interests attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment. At such time that commercial production commences, these costs will be charged to the consolidated statement of operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of an impairment.

Recoverability of the carrying amount of any unproven mineral interest assets is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any intangible asset with an indefinite life that is not yet available for use is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of the fair value less costs to dispose and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in the consolidated statement of operations.

Share-based payments

The share option plan allows the Company's directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity.

The fair value of the options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and an estimated forfeiture rate.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and other deductions carried forward.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a deferred tax asset is recorded against any deferred tax asset if it is probable that there will be future taxable income to offset. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance that are readily convertible into cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. As at December 31, 2019, the Company had 1,500,000 (2018 – 2,405,000) potentially dilutive shares relating to outstanding stock options.

Reclamation obligations

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the year in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Financial Instruments - Recognition and Measurements

(i) Non-derivative financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash and amounts receivable are measured at amortized cost with subsequent impairments recognized in the consolidated statement of operations. Investments are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. The Company recorded a bad debt expense based on the expected credit loss model.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, promissory note payable, and amounts due to related party are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the consolidated statement of operations.

(iii) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in the consolidated statement of operations. Transaction costs are recognized in the consolidated statement of operations as incurred.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

(Amounts expressed in thousands of Canadian dollars, except where indicated)

Compound financial instruments (convertible debenture)

Compound financial instruments issued by the Company comprise convertible notes that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, such as Canadian Government treasury bills, banker's acceptances or Guaranteed Investments Certificates, with initial maturity terms less than one year from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

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 debts, 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 year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

6 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2019		December 31, 2018	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Cash	653.5	653.5	1,072.3	1,072.3
Long-term investment	442.2	442.2	480.3	480.3
Financial liabilities				
Accounts payable and accrued liabilities	288.8	288.8	254.2	254.2
Due to related party	1,035.1	1,035.1	1,057.5	1,057.5

Fair value measurements

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.

	Level 1	Level 2	Level 3	Total December 31, 2019
Long-term investments	442.2	-	-	442.2
	$ 442.2	-	$ -	$ 442.2

The fair value of other financial instruments, including cash and cash equivalents, amounts receivable, 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 year ended December 31, 2019.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. 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.

Liquidity Risk

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

Market Risk

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.

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 and cash equivalents 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.

Foreign Exchange Rate 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 Guatemala 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.

Price Risk

The Company is exposed to price risk with respect to its investments, which consists of common shares of publicly-traded companies and is dependent upon the market price or the fair value of the common shares of these companies. The market price or the fair value of the common shares of publicly-traded companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

(Amounts expressed in thousands of Canadian dollars, except where indicated)

7 Investments

	December 31, 2018 Fair value	Acquired	Unrealized gain/(loss)	December 31, 2019 Fair value
Long-term investments	$ 480.3	$ 57.0	$ (95.1)	$ 442.2
	December 31, 2017 Fair value	**Acquired**	**Unrealized gain/(loss)**	**December 31, 2018 Fair value**
Long-term investments	$ 1,029.6	$ 52.0	$ (601.3)	$ 480.3

Long-term investments are designated as fair value through profit and loss and carried at fair value. Unrealized gains and losses are classified as part of the calculation of net income or loss. During the year ended December 31, 2019, the unrealized loss recorded in investments is $95.1 (2018 – $601.3)

8 Mineral properties

	Talapoosa	Escorpion	Total
December 31, 2017	$ 4,678.6	$ 566.7	$ 5,245.3
Licence, dues and fees	229.6	-	229.6
Geological and engineering	15.2	-	15.2
Travel	-	3.1	3.1
Other	6.5	1.4	7.9
Impairment	-	(571.2)	(571.2)
December 31, 2018	$ 4,929.9	$ -	$ 4,929.9
Licence, dues and fees	232.9	-	232.9
Geological and engineering	5.5	-	5.5
Other	8.5	-	8.5
December 31, 2019	5,176.8	-	5,176.8

a) Talapoosa, (Nevada)

In Nevada, the Company owns a 100% interest in the Talapoosa gold property (“Talapoosa’) which 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”). These claims are administered by the Bureau of Land Management (“BLM”) and the annual maintenance fees for these claims payable to the BLM are approximately US$75.0 and the annual lease payment for the Unpatented Leased land is US$35.0. In addition, there are certain payments required for the land owned subject to leases with private landowners (the “Fee Leased Land”). The current annual payments for Fee Leased Land are approximately US$42.4.

On March 31, 2015, the Company entered into an agreement with Timberline Resources Corporation (“Timberline”), granting Timberline an option (the “Option”) to acquire from Gunpoint’s subsidiary, American Gold Capital US Inc. (“American Gold”), a 100% interest in Talapoosa. In consideration for the Option, Timberline has paid US$300.0 and issued 2.0 million common shares of Timberline to American Gold.

Timberline could exercise the Option by making a US$10.0 million cash payment to American Gold by September 12, 2017. For a period of five years after Timberline exercised the Option, Timberline was required to pay American Gold an additional US$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averaged US$1,600 per ounce or greater for a period of ninety consecutive trading days. American Gold retains a 1% net smelter royalty (“NSR”) on Talapoosa which Timberline can purchase for US$3.0 million.

On October 20, 2016, the Option Agreement was amended to extend the Option (“Extended Option”) for 18 months to March 31, 2019. In consideration for the Extended Option, Timberline paid an additional US$1.0 million and issued one million common shares to the Company and Timberline’s repurchase option for the Company’s 1% NSR on Talapoosa was terminated.

Timberline did not make the US$2.0 million option payment due March 31, 2018 to the Company. Timberline’s option to acquire the Talapoosa terminated and 100% ownership reverted back to the Company. During the option term, Gunpoint received US$1.3 million and 3.0 million common shares of Timberline. The market value of Gunpoint’s 3.0 million common shares of Timberline as at December 31, 2019 was $285.0 (2018 - $270.0).

b) La Cecilia (Sonora State, Mexico)

In 2010, the Company acquired the La Cecilia Property (“La Cecilia”) from Chesapeake. La Cecilia is located in Sonora State, Mexico and comprises three mineral concessions totalling 794 hectares. On January 31, 2017, the Company entered into an agreement (“Option Agreement”) with Riverside Resources Inc. (“Riverside”) whereby Riverside has an option to acquire a 100% interest in La Cecilia.

Pursuant to the Option Agreement, Riverside can acquire a 100% interest in La Cecilia by making $250.0 in cash payments and issuing one million Riverside common shares to the Company per the following schedule:

- A payment of $10.0 upon execution of the Option Agreement; (Received)
- A $15.0 cash payment and issuance of 100,000 common shares of Riverside concurrent with the execution of registerable agreement in Mexico (“the Effective Date”); (Received)
- A $25.0 cash payment and issuance of 200,000 common shares of Riverside on or before the first anniversary of the Effective Date; (Received)
- A $75.0 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; (Received) and
- A $125.0 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of the Effective Date.(Received subsequent to December 31, 2019)

Riverside is responsible for the property taxes and holding costs to maintain La Cecilia in good standing during the term of the agreement. As at December 31, 2019 and 2018, the La Cecilia property is recorded at $nil value due to a previous impairment. The consideration received from Riverside of $123.0 (2018 - $77.0) are recognized as income.

c) La Gitana (Oaxaca State, Mexico)

The La Gitana Property (“La Gitana”) was acquired by Gunpoint from Chesapeake in November 2010, together with Talapoosa, La Cecilia and Cerro Minas. La Gitana is located in Oaxaca State and encompasses 494 hectares.

On June 4, 2019, the Company signed a non-binding letter of intent (the "LOI") with Inomin Mines Inc to sell its 100% interest in La Gitana. The LOI provides for an exclusivity period to conduct due diligence and conclude a definitive agreement to finalize the purchase terms of the Transaction.

Pursuant to the LOI, Inomin has an option to acquire La Gitana by making $300.0 in cash payments and issuing 2,000,000 common shares as follows:

- A payment of $10.0 on signing LOI; (Received)
- A payment of $25.0 and 150,000 shares following execution of definitive agreement;
- A payment of $50.0 and 250,000 shares on first anniversary;
- A payment of $65.0 and 450,000 shares on second anniversary;
- A payment of $75.0 and 500,000 shares on third anniversary; and
- A payment of $75.0 and 650,000 shares on fourth anniversary.

d) Cerro Minas Project ("Cerro Minas")

On October 16, 2019, the Company entered into an agreement ("Option Agreement") with Megastar Development Corp. whereby Megastar has been granted an option to acquire a 100% interest in the Company's Cerro Minas Project ("Cerro Minas") located in Oaxaca State, Mexico.

Pursuant to the Option Agreement and subject to TSX Venture Exchange approval ("Effective Date"), Megastar has the right to acquire a 100% interest in Cerro Minas by making US$100.0 in cash payments and issuing 800,000 Megastar common shares to Gunpoint per the following schedule:

- A payment of US$10.0 and 100,000 common shares of Megastar on the Effective Date (Received);
- A US$20.0 cash payment and the issuance of 150,000 common shares of Megastar on or before the first anniversary of the Effective Date;
- A US$30.0 cash payment and the issuance of 250,000 common shares of Megastar on or before the second anniversary of the Effective Date; and
- A US$40.0 cash payment and the issuance of 300,000 common shares of Megastar on or before the third anniversary of the Effective Date.

The Company retains a 1.5% net smelter return royalty on Cerro Minas of which Megastar has the option to purchase a 0.5% net smelter royalty for US$1.0 million dollars. Megastar is responsible for the property taxes and holding costs (including surface right agreement) to maintain Cerro Minas in good standing during the term of the Option Agreement. The consideration received from Megastar of $22.4 (2018 - $nil) is recognized as income.

9 Promissory note payable

As at December 31, 2019, the Company has an unsecured promissory note of $700.0 (2018 - $700.0) due to a company controlled by the President of the Company which is unsecured, and bears an interest rate of 5% per annum. The promissory note is due on demand. Interest accrued for the year ended December 31, 2019 was $35.0 (2018 - $35.0). As at December 31, 2019, the total accrued interest payable was $272.7 (2018 - $237.7) and included in the account payables and accrued liabilities.

10 Share capital

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.

11 Share-based compensation

The Company has a share purchase 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.

On May 2, 2018, the Company granted 1,500,000 incentive stock options to directors, officers, employees and consultants of the Company, at an exercise price of $0.25 per share for a term of 5 years, expiring on May 2, 2023. The options will vest and be exercisable on the basis of 25% annually commencing April 30, 2019, the first anniversary of the date of the option grant. The fair value of the stock options was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock options of 5 years, volatility of 78%, annual rate of dividends of 0%, and a risk-free rate of 2.13%.

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended December 31, 2019, the Company recognized share-based compensation expense of $73.3 (2018 - $72.6) for stock options issued to officers and directors of the Company. The weighted average fair value of options granted during the year ended December 31, 2019 was $nil (2018 - $0.14) per share. As at December 31, 2019, the weighted average remaining contractual life of outstanding stock options is 3.3 years (2018 – 2.8 years).

(Amounts expressed in thousands of Canadian dollars, except where indicated)

	December 31, 2019		December 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – beginning of year	2,405,000	$ 0.25	905,000	$ 0.25
Granted	-	-	1,500,000	0.25
Expired/cancelled	(905,000)	0.25	-	-
Outstanding – end of year	1,500,000	$ 0.25	2,405,000	$ 0.25

The following is a table discloses the number of options and vested options outstanding as at December 31, 2019:

Number of options	Number of options vested	Price per share	Expiry Date
1,500,000	375,000	0.25	May 2,, 2023

The following table discloses the number of options and vested options outstanding as at December 31, 2018:

Number of options	Number of options vested	Price per share	Expiry Date
905,000	950,000	$ 0.25	April 23, 2019
1,500,000	-	0.25	May 2, 2023

12 Related party transactions

For the year ended December 31, 2019, an amount of $17.0 (2018 - $17.0) was paid to the Chief Financial Officer of the Company.

As at December 31, 2019, the Company has a promissory note (note 9) in the principal amount of $700.0, (plus related accrued interest) outstanding indebtedness to the President of the Company.

As of December 31, 2019, an amount of $1,035.1 (2018 - $1,057.5) was due to Chesapeake, the parent of the Company. The amounts due to Chesapeake are unsecured, non-interest bearing, and due on demand.

(Amounts expressed in thousands of Canadian dollars, except where indicated)

13 Segment disclosures

The Company operates in one operating segment in three countries. Details of the investments in mineral properties are disclosed in Note 8. The Company's assets by country are:

December 31, 2019	**Canada**	**Mexico**	**USA**	**Other**	**Total**
Cash	$ 612.8	$ 2.8	$ 36.8	$ 1.1	$ 653.5
Amounts receivable	6.5	-	-	-	6.5
	619.3	2.8	36.8	1.1	660.0
Long term investment	157.3	-	284.9	-	442.2
Investment in mineral properties	-	-	5,176.8	-	5,176.8
Reclamation deposits	-	-	227.8	-	227.8
Total assets	$ 776.6	$ 2.8	$ 5,726.3	$ 1.1	$ 6,506.8
Segment (loss) income for the year ended December 31, 2019	$ (290.7)	$ (33.5)	$ 48.2	$ 0.9	$ (275.1)

December 31, 2018	**Canada**	**Mexico**	**USA**	**Other**	**Total**
Cash	$ 1,026.2	$ 2.9	$ 43.1	$ 0.1	$ 1,072.3
Amounts receivable	9.2	-	-	-	9.2
	1,035.4	2.9	43.1	0.1	1,081.5
Long term investment	210.4	-	269.9	-	480.3
Investment in mineral properties	-	-	4,929.9	-	4,929.9
Reclamation deposits	-	-	215.6	-	215.6
Total assets	$ 1,245.8	$ 2.9	$ 5,458.5	$ 0.1	$ 6,707.3
Segment (loss) income for the year ended December 31, 2018	$ 297.8	$ (54.4)	$ (771.5)	$ (599.8)	$ (1,127.9)

14 Income taxes

a) The following table reconciles income taxes calculated at the statutory rate with the income tax expense presented in these financial statements:

	December 31, 2019	December 31, 2018
Loss before tax	$ (275.1)	(1,206.6)
Canadian statutory rate	27.00%	27.00%
Income tax recovery computed at Canadian statutory rate	$ (74.3)	$ (326.3)
Difference in foreign tax rates	(3.9)	50.6
Non-deductible expenses	56.3	35.4
Change in unrecognized deferred tax assets	75.5	280.9
Foreign exchange and other	(53.6)	(119.3)
Deferred income tax expense (recovery)	$ -	$ (78.7)

(Amounts expressed in thousands of Canadian dollars, except where indicated)

b) The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2019	December 31, 2018
Deferred income tax assets		
Income tax loss carry forwards	$ 911.4	$ 505.0
Deferred income tax liabilities		
Investment in mineral properties	(911.4)	(497.0)
Intercompany debt	-	(8.0)
Net deferred tax liability	$ -	$ -

c) Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following

	December 31, 2019	December 31, 2018
Marketable securities	$ 1,575.3	$ 2,246.1
Equipment	37.1	55.2
Investment in mineral properties	1,001.0	1,011.8
Share issuance costs	73.5	55.3
Intercompany debt and net capital losses	199.8	-
Income tax loss carry forwards	7,583.2	9,262.4
Accrued reclamation obligation	215.6	197.5
Accrued interest	202.7	-
	$ 10,888.2	$ 12,828.3

d) The Company has non-capital losses of the following:

	December 31, 2019	**Expiry**	**December 31, 2018**	**Expiry**
Canada	$ 5,698.1	2026-2038	$ 5,965.2	2026-2038
USA	5,797.9	2032-2038	5,314.6	2032-2038
Mexico	427.2	2020-2027	408.6	2020-2027
Total	$ 11,923.2		$ 11,688.4	

15 Subsequent event

On January 31, 2020, pursuant to the Option Agreement with Riverside (see note 8(b)), the Company received a final $125.0 cash payment and 400,000 common shares of Riverside concluding the sale of La Cecilia.