



Gunpoint Exploration Ltd.

Condensed Consolidated Interim Financial Statements
Three and nine months ended September 30, 2017 and 2016
(Unaudited)
(expressed in thousands of Canadian dollars, except where indicated)

GUNPOINT EXPLORATION LTD.
Suite 1201 – 1166 Alberni Street
Vancouver, British Columbia V6E 3Z3
Canada

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS FOR
THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016.**

The third quarter financial statements for the nine months ended September 30, 2017 and 2016 have not been reviewed by the auditors of Gunpoint Exploration Ltd.

GUNPOINT EXPLORATION LTD.
“Sam Wong”
SAM WONG
Chief Financial Officer

Gunpoint Exploration Ltd.

Condensed Consolidated Interim Statements of Financial Position

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

	Note	As at September 30, 2017	As at December 31, 2016
Assets			
Current assets			
Cash	4	\$ 1,357.7	\$ 158.3
Accounts receivable and prepaid expenses		29.7	26.2
		1,387.4	184.5
Long-term investment	4,5	1,261.2	810.0
Investment in mineral properties	6	5,243.2	7,200.2
Reclamation deposits		171.4	185.8
Total assets		\$ 8,063.2	\$ 8,380.5
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 269.3	\$ 248.9
Convertible debenture	7	700.0	700.0
		969.3	948.9
Due to related party	4,10	1,041.6	1,042.2
Deferred income tax liabilities		234.8	234.8
Decommissioning obligation		180.7	194.4
Total liabilities		2,426.4	2,420.3
Shareholders' equity			
Share capital	8	9,637.4	9,637.4
Reserves		43,376.1	43,614.5
Deficit		(47,376.7)	(47,291.7)
Total shareholders' equity		5,636.8	5,960.2
Total liabilities and shareholders' equity		\$ 8,063.2	\$ 8,380.5

Nature of operations and going concern (note 1)

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.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - amount expressed in thousands of Canadian dollars, except where indicated)

		3 months ended		9 months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
General and administration expenses					
Exploration		\$ (0.2)	\$ (16.5)	\$ (1.9)	\$ (39.2)
General and administrative		(4.9)	(7.4)	(18.5)	(21.0)
Professional fees		(2.6)	(2.2)	(32.4)	(61.7)
Depreciation		-	-	-	(0.5)
Share-based compensation	9	-	(7.5)	23.6	(36.5)
Other income (expenses), net		(7.7)	(33.6)	(29.2)	(158.9)
Finance cost (net)		(9.3)	(9.4)	(27.0)	(27.5)
Foreign exchange gain (loss)		(54.5)	0.4	(100.3)	(20.9)
Impairment of disposal of equipment		-	-	-	(6.7)
Other (expenses)		-	-	71.5	-
Gain on debt settlement		-	23.4	-	23.4
Impairment of long-term investment		-	-	-	(100.6)
Net income (loss)		(71.5)	(19.2)	(85.0)	(291.2)
Other comprehensive income ("OCI")					
Item that may be reclassified subsequently to net earnings:					
Reclassification of impairment in net		-	-	-	100.6
Unrealized gain (loss) on available for sale investments	5	(280.5)	(155.0)	(214.8)	569.6
Total comprehensive gain (loss)		(352.0)	(174.2)	(299.8)	379.0
Loss per share					
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average shares outstanding					
Basic and diluted		43,501,600	43,501,600	43,501,600	43,501,600
Total shares issued and outstanding		43,501,600	43,501,600	43,501,600	43,501,600

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

Gunpoint Exploration Ltd.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(Unaudited - amount 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, 2016		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,576.2	\$ 65.1	\$ 420.3	\$ (47,291.7)	\$ 5,960.2
Net loss for the year		-	-	-	-	-	-	-	(85.0)	(85.0)
Unrealized gain on available for sale investments	5	-	-	-	-	-	-	(214.8)	-	(214.8)
Share-based compensation charges	9	-	-	-	-	(23.6)	-	-	-	(23.6)
Balance at September 30, 2017		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,552.6	\$ 65.1	\$ 205.5	\$ (47,376.7)	\$ 5,636.8
Balance at December 31, 2015		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,532.1	\$ 65.1	\$ -	\$ (46,935.3)	\$ 5,852.2
Net loss for the year		-	-	-	-	-	-	-	(291.2)	(291.2)
Unrealized loss on available for sale investments		-	-	-	-	-	-	569.6	-	569.6
Reclassify to net loss - impairment		-	-	-	-	-	-	100.6	-	100.6
Share-based compensation charges		-	-	-	-	36.5	-	-	-	36.5
Balance at September 30, 2016		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,568.6	\$ 65.1	\$ 670.2	\$ (47,226.5)	\$ 6,267.7

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

Gunpoint Exploration Ltd.

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited - amounts express in thousands of Canadian dollars, except where indicated)

	Note	September 30, 2017 (3 months ended)	September 30, 2016 (3 months ended)	September 30, 2017 (9 months ended)	September 30, 2016 (9 months ended)
Cash used from operating activities					
Net loss for the period		\$ (71.5)	\$ (19.2)	\$ (85.0)	\$ (291.2)
Items not affecting cash					
Depreciation	6	-	-	-	0.5
Unrealized foreign exchange loss (gain)		54.5	(0.4)	100.3	20.9
Impairment of long-term investment		-	-	-	100.6
Impairment of disposal of PPE		-	-	-	6.7
Share-based compensation charges	9	-	7.5	(23.6)	36.5
Gain on debt settlement	6(b)	-	(23.4)	-	(23.4)
Other		-	-	(46.0)	-
		(17.0)	(35.5)	(54.3)	(149.4)
Change in non-cash operating working capital					
Increase in accounts receivable and prepaid expense		0.6	1.5	(3.6)	-
Decrease in accounts payable and accruals		6.9	(21.4)	20.4	(5.9)
		(9.5)	(55.4)	(37.5)	(155.3)
Cash flows (used) from investing activities					
Mineral property expenditures		-	(48.5)	-	(227.6)
Proceeds from sale of mineral properties		-	-	1,343.0	-
		-	(48.5)	1,343.0	(227.6)
Cash flow from financing activities					
Due to parent company	10	-	72.9	-	280.2
		-	72.9	-	280.2
(Decrease) increase in cash and cash equivalents		(9.5)	(31.0)	1,305.5	(102.7)
Foreign exchange impact on cash		(60.3)	0.6	(106.1)	(22.0)
Cash and cash equivalents – beginning of period		1,427.5	270.9	158.3	365.2
Cash and cash equivalents – end of period		1,357.7	240.5	1,357.7	240.5
Cash		1,357.7	240.5	1,357.7	240.5
Short term investment		-	-	-	-
Cash and cash equivalents – end of period		1,357.7	240.5	1,357.7	240.5
Supplemental cash flow information					
Long term investment received on option	6(a)	\$ -	\$ -	\$ 620.0	\$ -

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

Gunpoint Exploration Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

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.V”. The Company is controlled by Chesapeake Gold Corp. (“Chesapeake”). The Company’s registered office is at Suite 1400 – 400 Burrard 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 \$85.0 for the period ended September 30, 2017 and an accumulated deficit of \$47,376.7 as at September 30, 2017. The Company’s working capital as at September 30, 2017 is \$418.1. 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 to complete the exploration of its mineral property interests and to commence profitable operations. The Company’s mineral properties have been placed under care and maintenance until the Company can obtain additional financing and the Company is making efforts 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’s current plans include holding mineral property expenditures at care and maintenance levels until the Company can obtain additional financing from joint venture partners or investors to advance certain properties into development. In addition, the Company is currently seeking funding to support operations.

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 unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016.

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2016. In addition, the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended December 31, 2016.

The Company’s interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 29, 2017.

Gunpoint Exploration Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

3 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.

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.

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.

4 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	September 30, 2017		December 31, 2016	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Fair value through profit and loss ("FVTPL")</i>				
Cash	1,357.7	1,357.7	158.3	158.3
<i>Available-for-sale</i>				
Long-term investment	1,261.2	1,261.2	810.0	810.0
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	269.3	269.3	248.9	248.9
Due to related party	1,041.6	1,041.6	1,042.2	1,042.2

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.

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Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

	Level 1	Level 2	Level 3	Total September 30, 2017
Cash	\$ 1,357.7	\$ -	\$ -	\$ 1,357.7
Long-term investment	1,261.2	-	-	1,261.2

	Level 1	Level 2	Level 3	Total December 31, 2016
Cash	\$ 158.3	\$ -	\$ -	\$ 158.3
Long-term investment	810.0	-	-	810.0

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 September 30, 2017.

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, and marketable securities. The Company's cash are 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 3. The accounts payable and income taxes 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 market prices of publicly traded securities. 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 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.

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Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

5 Investments

	December 31, 2016 Fair value	Acquired	Reclassification to long term investment	Unrealized gain/(loss)	Foreign exchange and other	September 30, 2017 Fair value
Long-term investment	\$ 810.0	\$ 666.0	\$ -	\$ (214.8)	\$ -	\$ 1,261.2
	December 31, 2015 Fair value	Acquired	Reclassification to long term investment	Unrealized gain/(loss)	Foreign exchange and other	December 31, 2016 Fair value
Long-term investment	\$ 490.3	\$ -	\$ -	\$ 319.7	\$ -	\$ 810.0

Long-term investments are designated as available-for-sale and valued at fair value. Unrealized gains and losses due to period-end revaluation, other than those determined to be significant or prolonged losses, are recorded as other comprehensive income or loss. During the nine months ended September 30, 2017, \$214.8 (2016 – \$569.6 unrealized gain) of unrealized loss recorded in available-for-sale financial assets.

For the nine months ended September 30, 2017, there was no reclassification from other comprehensive income to impairment expense as compared to \$100.6 for the same period last year. As at September 30, 2017, the fair value of long term investment is \$1,261.2 (December 31, 2016 - \$810.0).

For the nine months ended September 30, 2017, the Company acquired a total of \$666.0 of long term investments. These investments were received as part of the Talapoosa transaction (see note 6(a)) and the La Cecilia transaction (note 6(b)).

6 Mineral properties

	Talapoosa	Escorpion	Total
December 31, 2015	\$ 6,640.5	\$ 310.5	\$ 6,951.0
Option agreement payment	-	238.3	238.3
Concession acquisition	-	0.5	0.5
Travel	-	7.2	7.2
Other	1.1	2.1	3.2
December 31, 2016	\$ 6,641.6	\$ 558.6	\$ 7,200.2
Option agreement (a)(b)	(1,963.0)	-	(1,963.0)
Option agreement payment (c)	-	-	-
Concession acquisition	-	-	-
Travel	-	4.6	4.6
Other	-	1.4	1.4
September 30, 2017	\$ 4,678.6	\$ 564.6	\$ 5,243.2

a) Talapoosa

The Company owns a 100% interest in the Talapoosa property 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 Lease land is US\$35.0. In addition, there are certain payments required for the land owned subject to leases with private land owners (the “Fee Leased Land”). The current annual payments for Fee Leased Land are approximately US\$42.4.

Gunpoint Exploration Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

On March 31, 2015, the Company closed a transaction 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 the Talapoosa gold project located in Nevada. In consideration for the Option, Timberline has agreed to pay US\$300.0 and issue 2.0 million shares of common stock of Timberline to American Gold over 24 months. The vesting schedule of Timberline’s shares issued is set out below. The market value of Gunpoint’s 2.0 million Timberline shares on the date of granting was \$1,639.6.

Vesting date (date initial securities are released from escrow)	Timberline Common Shares (*000)
September 12, 2015 (vested)	500
March 12, 2016 (vested)	500
September 12, 2016 (vested)	500
March 12, 2017 (vested)	500
	2,000

Per the Option, Timberline can earn 100% interest in Talapoosa by making a US\$10 million payment to American Gold by September 12, 2017. For a period of five years after Timberline exercises the Option, Timberline would be required to pay American Gold an additional US\$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averages US\$1,600 per ounce or greater for a period of ninety consecutive trading days. Timberline plans to complete a feasibility study on Talapoosa during the option period. American Gold retains a 1% net smelter royalty on Talapoosa which Timberline can purchase for US\$3.0 million. During the 30 months option period, Timberline assumes responsibility for the payment of all property holding costs.

On October 20, 2016, the Option Agreement was amended. The Company agreed to extend the Option (“Extended Option”) 18 months from September 12, 2017 to March 31, 2019. In consideration for the Extended Option, Timberline will pay an additional US\$1.0 million and issue an additional 3.5 million common shares to the Company. In addition, Timberline’s repurchase option for the Company’s 1% net smelter return royalty (“NSR”) on Talapoosa has been eliminated.

The amended terms of the Option Agreement are as follows:

- Payment of US\$1.0 million and one million common shares of Timberline by March 31, 2017 (Received).
- Payment of US\$2.0 million and one million common shares of Timberline by March 31, 2018.
- A final payment of US\$8.0 million and 1.5 million common shares of Timberline by March 31, 2019.
- Timberline commits to undertake cumulative project expenditures of a minimum of US\$7.5 million by December 31, 2018.
- Elimination of Timberline’s US\$3.0 million purchase option of the 1% NSR retained by the Company upon Timberline’s acquisition of Talapoosa.
- The Contingent payment based on escalating gold prices has been amended such that if gold prices average greater than or equal to US\$1,600 over any 90-day period (“Trigger Event”) within a 5-year period commencing on the option exercise closing date, Timberline will pay the Company an additional US\$10.0 million of which a minimum of US\$5.0 million will be payable within six months of the Trigger Event, and the remaining US\$5.0 million payable within twelve months of the Trigger Event, with both payments payable in cash or, at Timberline’s discretion, up to 50% in shares.

Upon exercise of the Extended Option, Timberline will have paid US\$11.3 million and issued 5.5 million shares to the Company to acquire a 100% interest in Talapoosa. The Company will retain a 1% NSR in Talapoosa which is not subject to a buyback option.

As at September 30, 2017, Gunpoint received \$1,343.0 (US\$1.0 million) cash and one million common shares of Timberline. The market value of the one million Timberline shares at the date of granting was \$620.0. Total consideration was \$1,963.0

As at September 30, 2017, American Gold owns 9% of the outstanding shares issued in Timberline. The market value of Gunpoint’s 3.0 million Timberline shares was \$1,155.0 (December 31, 2016 - \$810.0 – 2 million shares).

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Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

b) La Cecilia

In 2010, the Company acquired La Cecilia from Chesapeake Gold Corp. 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. (TSX-V: RRI) whereby Riverside has been granted an option to acquire a 100% interest in Gunpoint’s La Cecilia-Margarita gold project (“La Cecilia”) located in Sonora State, Mexico.

Pursuant to Option Agreement and subject to TSX Venture Exchange approval, Riverside has the right to acquire a 100% interest in La Cecilia by making \$250,000 in cash payments and issuing 1.0 million Riverside common shares to the Company per 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 (fair value of \$46.0) 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;
- A \$75.0 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; and
- A \$125.0 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of Effective Date.

Riverside will be responsible for the property taxes and holding costs to maintain La Cecilia in good standing during the term of the agreement. As at September 30, 2017 the La Cecilia property is currently recorded at \$nil (2016 - \$nil) value due to a previous impairment. The consideration received from Riverside will be recognised as an income.

c) La Gitana (Oaxaca State, Mexico)

La Gitana is a large low sulphidation epithermal system hosting precious metals mineralization that is both structurally and lithologically controlled. During 2005 and 2006, the Company completed 40 diamond drill holes comprising 8,462 meters on the La Gitana project. The drill program primarily tested Cerro di Oro, a 1.5 kilometer long, NW-trending, structurally-controlled, epithermal system where gold-silver mineralization is found as high-grade shoots in a set of N-W trending, sub-vertical structures, and as low grade disseminations within broad zones of quartz stockworks and breccias.

A NI 43-101 compliant technical report on the La Gitana Project concluded that the exploration program undertaken by the Company on the Cerro di Oro zone of the La Gitana project (including detailed surface mapping and sampling, ground geophysics and diamond drilling) provided sufficient information to confirm the existence of well-defined gold-silver mineralization extending 500 meters in length, 50 to 150 meters wide and 50 to 300 meters deep. Step out drilling also discovered additional gold-silver mineralization along strike for over 300 meters to the southeast.

La Gitana was acquired by Gunpoint in November 2010, together with Talapoosa and La Cecilia.

d) El Escorpion

On June 14, 2013, the Company purchased a 100% equity interest in Hunt Exploration S.A., a Guatemalan company, from Chesapeake by issuing and granting the following:

- 0.5 million common shares and 0.5 million warrants exercisable at \$1.50 per share for a term of five years
- A 1.5% NSR royalty in the event Chesapeake purchases the existing 1.0% net smelter return (“NSR”) royalty
- 1.0 million common shares in the event a NI 43-101 measured and indicated resource estimate of 1.0 million gold equivalent ounces is achieved on the Escorpion property.

On January 28, 2011, Hunt Exploration S.A. entered into an agreement with a private owner whereby Hunt would earn a 100% interest in the Escorpion project by making cash payments totalling US\$351.0 over five years. The payment schedule was amended on March 23, 2015 per the table below. In August 2015, the Ministry of Energy and Mines granted title to the concession.

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(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

Carrying amount (USD\$)	September 30, 2016
Upon signing the agreement (paid)	16.0
On January 28, 2012 (paid)	25.0
On January 28, 2013 (paid)	30.0
On January 28, 2014 (paid)	35.0
On March 23, 2015 (paid)	25.0
On July 28, 2015 (paid)	20.0
On January 28, 2016 (payment schedule amended on May 20, 2016)	200.0
	351.0

On May 20, 2016, the Company amended the final USD \$200.0 payment schedule as per below:

Carrying amount (USD\$)	September 30, 2017
Signing the amendment (paid)	60.0
On May 31, 2016 (paid)	70.0
On September 1, 2016 (paid)	35.0
On December 15, 2016 (deferred by agreement)	20.0
	200.0

El Escorpion is subject to a 1.0% NSR royalty, which can be purchased for US\$585.0 at any time.

On August 19, 2015, the Ministry of Energy and Mines granted title for the El Escorpion concession. In late 2016, the Constitutional Court of Guatemala temporarily suspended permits for several mineral concessions in the country including 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 property vendor has agreed to an extension of the final payment of \$20,000 to purchase Escorpion until the exploration suspension is lifted.

For the period ended September 30, 2017, the Company has spent \$6.0 (September 30, 2016 - \$226.5) in property payments and administrative expenses.

7 Convertible debenture

On March 15, 2012, the Company issued a convertible debenture of \$750.0 ("First Debenture"). The First Debenture carries interest at the rate of 5% per annum, payable on the earlier of conversion or maturity. The First Debenture was unsecured. Each First Debenture is convertible at the holder's option any time prior to or on maturity into fully paid units ("First Units") of Gunpoint at a conversion price of \$0.80 per First Unit. Each First Unit consisted of one fully paid common share in the capital of the Company and one-half of one share purchase warrant ("First Warrant"). Each whole First Warrant was exercisable until March 14, 2014 to purchase an additional common share at \$1.00. On March 14, 2014, Gunpoint and the holders of the First Debenture extended the term of the First Debenture by 12 months to March 16, 2015. The First Debenture is currently due on demand.

On October 14, 2016, the Company repaid the principal of \$50.0 (in cash) to two of the three convertible debenture holders. All interest accrued related to two convertible debenture holder's principal were waived as part of the redemption.

As at September 30, 2017, the Company still has one convertible debenture in the principal amount of \$700.0 (plus related accrued interest). The outstanding amount is indebted to the President of the Company.

Gunpoint Exploration Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

Interest accrued for the period ended September 30, 2017 was \$26.3 (June 30, 2016 - \$28.1). As at September 30, 2017, the total accrued interest related to the remaining outstanding First Debenture was \$194.0 (December 31, 2016 - \$167.7) and was included in account payables and accrued liabilities.

8 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.

Warrants

The following is a table that discloses the number of warrants as at September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of period	500,000	\$ 1.5	500,000	\$ 1.5
Outstanding - end of period	500,000	\$ 1.5	500,000	\$ 1.5

The following is a table discloses the number of warrants as at September 30, 2017 and December 31, 2016:

Number of warrants outstanding	Exercise price	Expiry Date
500,000	\$ 1.50	14-Jun-18

9 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. Such options will be exercisable for a period of up to 10 years from the grant of grant with vesting terms to be determined at the time of grant by the Board of Directors.

	September 30, 2017		December 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – beginning of period	1,425,000	\$ 0.25	1,475,000	\$ 0.26
Expired/cancelled	(520,000)	0.25	(50,000)	0.60
Outstanding – end of period	905,000	\$ 0.25	1,425,000	\$ 0.25

During the year ended December 31, 2016, 50,000 options were cancelled with an exercise price of \$0.60 per share. On January 1, 2017, 520,000 of options were cancelled exercisable at \$0.25 per share.

Gunpoint Exploration Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

The following is a table discloses the number of options and vested options outstanding as at September 30, 2017:

Number of options	Number of options vested	Price per share	Expiry Date
905,000	905,000	\$ 0.25	23-Apr-19

The following table discloses the number of options and vested options outstanding as at December 31, 2016:

Number of options	Number of options vested	Price per share	Expiry Date
1,425,000	950,000	\$ 0.25	23-Apr-19

10 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, Chesapeake, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

During 2016 and for the nine months ending September 30, 2017, there were no fees paid or accrued to management.

As at September 30, 2017, the Company still has one convertible debenture in the principal amount of \$700.0, (plus related accrued interest) outstanding indebted to the President of the Company.

As of September 30, 2017, an amount of \$1,041.6 was due to Chesapeake, the parent of the Company (December 31, 2016 - \$1,042.2). The amounts due to Chesapeake were provided to fund to working capital and are unsecured, non-interest bearing and due on or after January 1, 2019.

11 Segment disclosures

The Company operates in one operating segment in three countries. Details of the investments in mineral properties are disclosed in Note 6. The Company's assets by country are:

September 30, 2017	Canada	Mexico	USA	Other	Total
Cash	\$ 1,310.1	\$ 4.8	\$ 41.9	\$ 0.9	\$ 1,357.7
Accounts receivable and prepaid expense	29.7	-	-	-	29.7
	1,339.8	4.8	41.9	0.9	1,387.4
Long term investment	106.2	-	1,155.0	-	1,261.2
Investment in mineral properties	-	-	4,678.6	564.6	5,243.2
Reclamation deposits	-	-	171.4	-	171.4
Total assets	\$ 1,446.0	\$ 4.8	\$ 6,046.9	\$ 565.5	\$ 8,063.2
Segment (loss) income for three months ended September 30, 2017	\$ (156.0)	\$ 14.0	\$ 60.1	\$ 10.4	\$ (71.5)
Segment (loss) income for nine months ended September 30, 2017	\$ (246.4)	\$ 53.0	\$ 117.5	\$ (9.1)	\$ (85.0)

Gunpoint Exploration Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2017 and 2016

(Unaudited - amounts expressed in thousands of Canadian dollars, except where indicated)

September 30, 2016	Canada	Mexico	USA	Other	Total
Cash and cash equivalent	\$ 188.7	\$ 2.4	\$ 44.2	\$ 5.2	\$ 240.5
Accounts receivable and prepaid expenses	-	-	-	-	-
	188.7	2.4	44.2	5.2	240.5
Long term investment	59.9	-	1,000.0	-	1,059.9
Investment in mineral properties	-	-	6,641.6	537.0	7,178.6
Reclamation deposits	-	-	181.8	-	181.8
Total assets	\$ 248.6	\$ 2.4	\$ 7,867.6	\$ 542.2	\$ 8,660.8
Segment loss for the three months ended September 30, 2016	\$ 9.0	\$ 0.7	\$ (24.3)	\$ (4.6)	\$ (19.2)
Segment loss for the nine months ended September 30, 2016	\$ (451.5)	\$ 16.6	\$ 69.9	\$ 73.8	\$ (291.2)