



Gunpoint Exploration Ltd.

Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

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

Independent Auditor's Report

To the Shareholders of
Gunpoint Exploration Ltd.

We have audited the accompanying consolidated financial statements of Gunpoint Exploration Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gunpoint Exploration Ltd. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates, that as at December 31, 2016 the Company had a consolidated net loss of \$356.4 for the year ended December 31, 2016, and an accumulated deficit of \$47,291.7 as at December 31, 2016. The Company's working capital deficiency as at December 31, 2016 is \$764.4. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
May 1, 2017
Vancouver, Canada

Gunpoint Exploration Ltd.
Consolidated Statements of Financial Position
(amount expressed in thousands of Canadian dollars, except where indicated)

	Note	As at December 31, 2016	As at December 31, 2015
Assets			
Current assets			
Cash	6	\$ 158.3	\$ 365.2
Accounts receivable and prepaid expenses		26.2	-
		184.5	365.2
Long-term investment	6,7	810.0	490.3
Investment in mineral properties	8	7,200.2	6,951.0
Equipment	9	-	7.2
Reclamation deposits	6	185.8	191.2
Total assets		\$ 8,380.5	\$ 8,004.9
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 248.9	\$ 235.2
Convertible debenture	10	700.0	750.0
		948.9	985.2
Due to related party	6,13	1,042.2	759.6
Deferred income tax liabilities	15	234.8	207.6
Decommissioning obligation		194.4	200.3
Total liabilities		2,420.3	2,152.7
Shareholders' equity			
Share capital	11	9,637.4	9,637.4
Reserves		43,614.5	43,150.1
Deficit		(47,291.7)	(46,935.3)
Total shareholders' equity		5,960.2	5,852.2
Total liabilities and shareholders' equity		\$ 8,380.5	\$ 8,004.9

Nature of operations and going concern (note 1)
Subsequent events (note 16)

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 Loss and Comprehensive Income (Loss)

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

	Note	December 31, 2016	December 31, 2015
General and administration expenses			
Depreciation	9	\$ (0.5)	\$ (2.2)
Exploration		(38.4)	(125.0)
General and administrative		(28.9)	(14.0)
Professional fees	13	(63.9)	(22.9)
Share-based compensation	12	(44.1)	(102.7)
		(175.8)	(266.8)
Other income (expenses), net			
Finance cost		(36.4)	(33.1)
Foreign exchange gain (loss)		8.8	27.7
Gain on debt and accounts payable settlement		34.9	-
Loss on disposal of equipment	9	(6.7)	-
Other expenses		(53.4)	-
Impairment of long-term investment	7	(100.6)	(1,305.6)
Net loss before tax		(329.2)	(1,577.8)
Income tax (expense) recovery – future	15	(27.2)	132.7
Net loss after tax		(356.4)	(1,445.1)
Other comprehensive income			
Item that may be reclassified subsequently to net loss:			
Reclassification of impairment losses included in net loss	7	100.6	1,305.6
Unrealized gain (loss) on available for sale investments	7	319.7	(1,308.3)
Total comprehensive income (loss)		\$ 63.9	\$ (1,447.8)
Loss per share			
Basic and diluted		(0.01)	(0.03)
Weighted average shares outstanding			
Basic and diluted		43,501,600	43,501,600
Total shares issued and outstanding		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 Shareholders' Equity

(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, 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		-	-	-	-	-	-	-	(356.4)	(356.4)
Unrealized gain on available for sale investments	7	-	-	-	-	-	-	319.7	-	319.7
Reclassify to net loss - impairment	7	-	-	-	-	-	-	100.6	-	100.6
Share-based compensation charges	12	-	-	-	-	44.1	-	-	-	44.1
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
Balance at December 31, 2014		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,429.4	\$ 65.1	\$ 2.7	\$ (45,490.2)	\$ 7,197.3
Net loss for the year		-	-	-	-	-	-	-	(1,445.1)	(1,445.1)
Unrealized loss on available for sale investments	7	-	-	-	-	-	-	(1,308.3)	-	(1,308.3)
Reclassify to net loss - impairment	7	-	-	-	-	-	-	1,305.6	-	1,305.6
Share-based compensation charges	12	-	-	-	-	102.7	-	-	-	102.7
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

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)

	Notes	December 31, 2016	December 31, 2015
Cash used in operating activities			
Net loss for the year		\$ (356.4)	\$ (1,445.1)
Items not affecting cash			
Depreciation	9	0.5	2.2
Unrealized foreign exchange gain		(8.8)	(27.7)
Impairment of long-term investment	7	100.6	1,305.6
Income tax expense (recovery)	15	27.2	(132.7)
Gain on debt and accounts payable settlement		(34.9)	-
Share-based compensation charges	12	44.1	102.7
Loss on disposal of equipment	9	6.7	-
		(221.0)	(195.0)
Change in non-cash operating working capital			
(Increase) decrease in accounts receivable and prepaid		(26.2)	9.1
(Decrease) increase in accounts payable and accruals		48.6	24.7
		(198.6)	(161.2)
Cash flows (used in) from investing activities			
Mineral property expenditure	8	(249.2)	(84.4)
Cost of sale of mineral properties		-	(42.0)
Proceeds from sale of mineral property		-	400.3
		(249.2)	273.9
Cash (used in) flow from financing activities			
Repayment of convertible debt	10	(50.0)	-
Advances from related party	13	282.6	223.9
		232.6	223.9
(Decrease) increase in cash		(215.2)	336.6
Foreign exchange impact on cash		8.3	23.0
Cash – beginning of year		365.2	5.6
Cash – end of year		158.3	365.2
Supplemental cash flow information			
Long term investment received on option agreement	7	-	1,639.6

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

Gunpoint Exploration Ltd.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(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 356.4 for the year ended December 31, 2016 and an accumulated deficit of \$47,291.7 as at December 31, 2016. The Company’s working capital deficiency as at December 31, 2016 is \$764.4. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The policies set out below were consistently applied to all periods presented.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 1, 2017.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Amendments, Interpretations, Revised and New Standards Adopted by the Company

The Company adopted the following amendments and annual improvements that became effective January 1, 2016:

- Amendments to IAS 1, *Presentation of Financial Statements*
- Amendments to IAS 16, *Property, Plant and Equipment*
- Amendments to IAS 28, *Investments in Associates*
- Amendments to IAS 38, *Intangible Assets*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Annual improvements to IFRS 2012-2014 Cycle (“AIP 2012-2014”)

The amendments and annual improvements had no material effect on the consolidated financial statements

Future changes in accounting policies not yet adopted

IFRS 15 Revenues from Contracts with Customers (“IFRS 15”)

This standard was issued on May 28, 2014 and will replace IAS 11 Construction Contracts (“IAS 11”), IAS 18 Revenue (“IAS 18”), and related interpretations. This new standard outlines a single comprehensive model to be used in recognizing revenue arising from contracts with customers, and contains more prescriptive guidance than in IAS 11, IAS 18 and related interpretations. The core principle in IFRS

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Notes to Consolidated Financial Statements

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15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 15 at the effective date and does not expect this pronouncement to have a significant impact on its consolidated financial statements as the Company does not generate significant revenue given the current stage of its mineral exploration projects. The Company will reassess the impact once significant revenue is generated.

IFRS 9 Financial instruments (“IFRS 9”)

On July 25, 2014, the final publication of this standard was issued, and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance for the classification of financial assets based on the contractual cash flow characteristics of the financial assets and the Company’s business model for managing financial assets. Changes in the fair value of an entity’s own debt when it is classified as fair value through profit or loss (“FVTPL”), to the extent that they relate to changes in the entity’s own credit risk, are recognized in other comprehensive income. The new standard also requires a single impairment model to be used, replacing the multiple impairment models in IAS 39. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 9 at the effective date and does not expect this pronouncement to have a significant impact on the consolidated financial statements given the extent of its current use of financial instruments.

IFRS 16, Leases (“IFRS 16”) and revised IAS 17 (“IAS 17”)

The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Company will adopt IFRS 16 at the effective date and does not expect this pronouncement to have a significant impact on the consolidated financial statements given the extent of its current use of leases.

3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Measurement of the Company’s assets and liabilities is subject to risks and uncertainties, including ones related to reserve and resource estimates; title to mineral properties; future gold prices; future costs of decommissioning obligations; changes in government legislation and regulations; estimated deferred income tax amounts; the availability of financing and various operational factors. Significant areas where management’s judgment is applied are resource property costs, amortization, share-based compensation, and income taxes. Actual results may differ from those estimates.

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

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

- i. 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.

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- 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 intangible exploration and evaluation assets. 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 test was performed on those properties.
- 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. Details of these can be found in Note 12.
- iii. Management estimates the interest rate on a similar liability debenture that does not have an equity conversion option in the calculation of the fair value of the liability and equity portions of a compound instrument upon initial recognition.
- iv. Management's assessment regarding the Company's ability to continue as a going concern.
- v. Other significant accounting estimates include valuation of amounts receivable, accounts payable and accrued liabilities, useful life of equipment.

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.

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Notes to Consolidated Financial Statements

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

The following subsidiaries are consolidated:

	Country of incorporation	Percentage owned	
		December 31, 2016	December 31, 2015
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%

Intercompany balances, transactions, revenue and expenses have been eliminated.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars (CAD). The functional currency of the Company and its controlled entities is measured using the currency of the primary economic environment in which that entity operates. 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 profit or loss in the statement of loss 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.

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

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, 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 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. Impairment is recognized immediately as impairment loss in profit and loss.

Financial instruments

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

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For the years ended December 31, 2016 and 2015

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

Financial assets are classified as FVTPL if they are acquired for the purpose of selling in the near term. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortization process. The Company has classified its amounts receivable, and reclamation deposits as loans and receivables. Given the relatively short term nature of these instruments, the carrying value approximate fair value.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortization process. As at December 31, 2016 and December 31, 2015, the Company has not classified any financial assets as held-to-maturity.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income (loss) until the investment is derecognised or determined to be impaired as a result of a significant or prolonged decline in fair value, at which time the cumulative gain or loss previously recorded in equity is recognised in comprehensive income (loss). The Company has classified its investment as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities, interest payable, amounts due to Chesapeake Gold Corp. and convertible debentures as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through net loss. As at December 31, 2016 and December 31, 2015, the Company has no financial liabilities classified as FVTPL.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income (loss).

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.

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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.

Taxation

Tax expense comprises the sum of deferred income tax and current income tax.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred income tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of income tax expense or recovery, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition.

Loss per share

Basic 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.

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 profit or loss 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.

The Company maintains cash deposits that are restricted to the funding of reclamation costs. For the Talapoosa property in Nevada State, USA, the Company has placed cash on deposit to fund future reclamation costs anticipated under a reclamation plan approved by the State of Nevada. Reclamation deposits are designated as loans and receivables, and are classified as a non-current asset.

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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.

Investment in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the profit or loss of the associate, less any impairment in the value of the investment or dilution of the shareholding in the investment.

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.

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.

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6 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2016		December 31, 2015	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Fair value through profit and loss ("FVTPL")</i>				
Cash	158.3	158.3	365.2	365.2
<i>Available-for-sale</i>				
Long-term investment	810.0	810.0	490.3	490.3
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	248.9	248.9	235.2	235.2
Amounts due to related party	1,042.2	1,042.2	759.6	759.6

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, 2016
Cash	\$ 158.3	\$ -	\$ -	\$ 158.3
Long-term investment	810.0	-	-	810.0

	Level 1	Level 2	Level 3	Total December 31, 2015
Cash	\$ 365.2	\$ -	\$ -	\$ 365.2
Long-term investment	490.3	-	-	490.3

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, 2016.

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 long term investments. The Company's cash are held through large Canadian financial institutions.

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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 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.

7 Long-term investments

	December 31, 2015 Fair value	Acquired	Reclassification to long term investment	Unrealized gain	Foreign exchange and other	December 31, 2016 Fair value
Long-term investments	\$ 490.3	\$ -	\$ -	\$ 319.7	\$ -	\$ 810.0
	December 31, 2014 Fair value	Acquired	Reclassification to long term investment	Unrealized loss	Foreign exchange and other	December 31, 2015 Fair value
Long-term investments	\$ -	\$ 1,639.6	\$ 101.6	\$ (1,308.3)	\$ 57.4	\$ 490.3
Marketable securities	\$ 101.6	\$ -	\$ (101.6)	\$ -	\$ -	\$ -

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 and prolonged losses, are recorded as other comprehensive income or loss. During the year ended December 31, 2016, \$319.7 (December 31, 2015 – \$1,308.3 loss) of unrealized gains were recorded in available-for-sale financial assets.

For the year ended December 31, 2016, \$100.6 (December 31, 2015 - \$1,305.6) was reclassified from OCI to impairment expense as the losses were determined to be significant and prolonged. As at December 31, 2016, the fair value of long term investment is \$810.0 (December 31, 2015 - \$490.3).

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8 Mineral properties

	Talapoosa	Escorpion	Total
December 31, 2014	\$ 8,620.4	\$ 244.1	\$ 8,864.5
Concession acquisition	-	60.8	60.8
Option agreement (a)	(1,997.9)	-	(1,997.9)
Geological & engineering	4.5	-	4.5
Fees, license and insurance	13.4	-	13.4
Travel	1.0	4.5	5.5
Other	(0.9)	1.1	0.2
December 31, 2015	\$ 6,640.5	\$ 310.5	\$ 6,951.0
Option agreement payment (c)	-	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

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.

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 paid US\$300.0 and issued 2.0 million shares of common stock of Timberline to American Gold which vest over 24 months. The vesting schedule for the 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 and received subsequent to December 31, 2016)	500
	2,000

Timberline has until September 12, 2017 to exercise the Option to acquire a 100% interest in Talapoosa (the "Option Period"). Timberline can exercise the Option by making a US\$10.0 million cash payment to American Gold. 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

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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 December 31, 2016, American Gold owns 8% of the outstanding shares issued in Timberline. At December 31, 2016, the market value of Gunpoint’s 2.0 million Timberline shares was \$760.0 (December 31, 2015 - \$457.0)

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. The property is currently recorded at \$nil (2015-\$nil) given it was subject to impairment in the previous years.

c) 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 (note 11)
- 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 El 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. For the year ended December 31, 2016, the Company has spent \$248.1 (December 31, 2015 – \$66.4) in property payments and administrative support expenses.

Carrying amount (thousands of US\$)	December 31, 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

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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 US\$200.0 payment schedule as per below:

Carrying amount (thousands of US\$)	December 31, 2016
Signing the amendment (paid)	\$ 60.0
On May 31, 2016 (paid)	70.0
On September 1, 2016 (paid)	35.0
On December 15, 2016 (paid)	15.0
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 year ended December 31, 2016, the Company has spent \$248.1 (December 31, 2015 - \$66.4) in property payments and administrative expenses.

9 Equipment

	Cost December 31, 2014	Disposals	Cost December 31, 2015	Disposals	Cost December 31, 2016
Office and furniture	\$ 24.8	\$ -	\$ 24.8	\$ (24.8)	\$ -
Computer equipment	72.0	-	72.0	(72.0)	-
Exploration equipment	1.5	-	1.5	(1.5)	-
	\$ 98.3	\$ -	\$ 98.3	\$ (98.3)	\$ -

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	Accumulated Depreciation December 31, 2014	Depreciation, depletion and amortization	Accumulated Depreciation December 31, 2015	Depreciation, depletion and amortization	Disposals	Accumulated Depreciation December 31, 2016
Office and furniture	\$ (20.4)	\$ (0.8)	\$ (21.2)	\$ (0.2)	\$ 21.4	\$ -
Computer equipment	(67.8)	(1.2)	(69.0)	(0.3)	69.3	-
Exploration equipment	(0.7)	(0.2)	(0.9)	(0.0)	0.9	-
	\$ (88.9)	\$ (2.2)	\$ (91.1)	\$ (0.5)	\$ 91.6	\$ -

Carrying amount	December 31, 2016	December 31, 2015
Office and furniture	\$ -	\$ 3.6
Computer equipment	-	3.0
Exploration equipment	-	0.6
	\$ -	\$ 7.2

10 Convertible debenture

On March 15, 2012, the Company issued convertible debentures ("First Debentures") of \$750.0. The First Debentures carry interest at the rate of 5% per annum, payable on the earlier of conversion or maturity. The First Debentures were 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, the Company and the holders of the First Debentures extended the term of the First Debentures by 12 months to March 16, 2015. The First Debentures have reached maturity and are currently due on demand.

On October 14, 2016, the Company repaid the principal of \$50.0 (in cash) to two of the three First Debenture holders. All interest accrued related to the principal were waived as part of the settlement. As at December 31, 2016, the remaining outstanding First Debenture principal is \$700.0, (plus related accrued interest) and this amount was indebted to the President of the Company.

Interest accrued for the year ended December 31, 2016 was \$37.0 (December 31, 2015 - \$37.5). A gain on debt settlement of \$11.5 related to reversal of accrued interest on the two repaid First Debentures (principal - \$50.0) was recorded during the year ended December 31,

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2016 (December 31, 2015 - \$nil). As at December 31, 2016, the total accrued interest related to the remaining outstanding First Debenture was \$167.7, (December 31, 2015 - \$142.2) and was included in account payables and accrued liabilities.

11 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 table discloses the number of warrants as at December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	500,000	\$ 1.50	500,000	\$ 1.50
Outstanding - end of year	500,000	\$ 1.50	500,000	\$ 1.50

The following table discloses the number of warrants as at December 31, 2016:

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

12 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.

	December 31, 2016		December 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – beginning of year	1,475,000	\$ 0.26	2,802,500	\$ 0.42
Expired	(50,000)	0.60	(1,327,500)	0.60
Outstanding – end of year	1,425,000	\$ 0.25	1,475,000	\$ 0.26

(i) No option grants occurred during the current year (December 31, 2015 - \$nil)

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

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

13 Related party transactions

The Company's related parties include its subsidiaries, 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.

For year ended December 31, 2016, there were no fees paid to management (December 31, 2015 - \$24.3). As at December 31, 2016, the total accrued amount was \$nil (December 31, 2015 - \$nil)

As of December 31, 2016, an amount of \$1,042.2 was due to Chesapeake, the parent of the Company (December 31, 2015 - \$759.6). The amounts due to Chesapeake were provided to fund to working capital and are unsecured, non-interest bearing and due on or after 1 January 2018.

These amounts are unsecured and non-interest bearing.

14 Segment disclosures

The Company operates in one operating segment (Note 1) in three countries. Details of the investments in mineral properties are disclosed in Note 8. The Company's assets by country are:

December 31, 2016	Canada	Mexico	USA	Guatemala	Total
Cash	\$ 86.4	\$ 2.1	\$ 45.2	\$ 24.6	\$ 158.3
Accounts receivable and prepaid expense	26.2	-	-	-	26.2
	112.6	2.1	45.2	24.6	184.5
Long term investment	50.0	-	760.0	-	810.0
Investment in mineral properties	-	-	6,641.7	558.5	7,200.2
Equipment	-	-	-	-	-
Reclamation deposits	-	-	185.8	-	185.8
Total assets	\$ 162.6	\$ 2.1	\$ 7,632.7	\$ 583.1	\$ 8,380.5
Segment (loss) income for the year ended	\$ (308.7)	\$ 44.5	\$ (80.9)	\$ (11.3)	\$ (356.4)

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December 31, 2015	Canada	Mexico	USA	Guatemala	Total
Cash	\$ 52.3	\$ 1.7	\$ 310.9	\$ 0.3	\$ 365.2
	52.3	1.7	310.9	0.3	365.2
Long term investment	-	-	490.3	-	490.3
Investment in mineral properties	-	-	6,640.5	310.5	6,951.0
Equipment	6.5	-	-	0.7	7.2
Reclamation deposits	-	-	191.2	-	191.2
Total assets	\$ 58.8	\$ 1.7	\$ 7,632.9	\$ 311.5	\$ 8,004.9
Segment (loss) income for the year ended	\$ 330.6	\$ (127.6)	\$ (1,612.9)	\$ (35.2)	\$ (1,445.1)

15 Income tax

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

	December 31, 2016	December 31, 2015
Loss before tax	\$ (329.2)	\$ (1,577.8)
Canadian statutory rate	26.00%	26.00%
Income tax recovery computed at Canadian statutory rate	\$ (85.6)	\$ (410.0)
Difference in foreign tax rates	(3.3)	(162.9)
Tax losses expired	-	27.5
Non-deductible expenses	58.5	26.7
Change in unrecognized deferred tax assets	(65.9)	430.0
Foreign Exchange and other	123.5	(44.0)
Deferred income tax expense (recovery)	\$ 27.2	\$ (132.7)

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

	December 31, 2016	December 31, 2015
<i>Deferred income tax assets</i>		
Income tax loss carry forwards	\$ 1,124.6	\$ 1,169.2
Accrued Reclamation Obligation	68.0	50.7
<i>Deferred income tax liabilities</i>		
Investment in mineral properties	(1,427.4)	(1,427.5)
Net deferred tax liability	\$ (234.8)	\$ (207.6)

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

	December 31, 2016	December 31, 2015
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Marketable securities	\$	1,128.8	\$	1,583.0
Equipment		133.5		129.4
Investment in mineral properties		426.9		310.2*
Share issue costs		55.3		18.6
Income tax loss carry forwards		7,102.9		7,438.3
	\$	8,847.4	\$	9,479.5

*During the year ended December 31, 2016, the Company identified that the deductible temporary differences for investment in mineral properties disclosed in Note 15 of the 2015 consolidated financial statements should have been recorded as \$310.2, instead of \$3,854.5. This error has been corrected in the comparative note disclosure above. The correction had no effect on the reported assets, liabilities, net loss or shareholder's equity in either 2015 or 2016.

16 Subsequent events

- a) 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. La Cecilia comprises three mineral concessions totalling 794 hectares.

Pursuant to the Option Agreement and subject to TSX Venture Exchange approval, Riverside has the right to acquire a 100% interest in La Cecilia by making \$250.0 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 subsequent to year end)
- 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")
- 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 December 31, 2016 the La Cecilia property is currently recorded at \$nil value due to a previous impairment. The consideration received from Riverside will be recognised as income.

- b) On March 31, 2017, in accordance to the amended option agreement with Timberline on Talapoosa (see note 8a), the Company received US\$1.0 million in cash and 1.0 million common shares of Timberline.