



## President's Letter

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Since 2011, investment in the gold market has been frustrating and required patience. Negative investor sentiment has led to historically low equity valuations in 2018. Alternatively, the US market, underpinned by a strong economy, has traded in record "high" territory this year. Markets don't go straight up forever and the risk of a volatile retracement is growing. A market correction together with a weaker US currency is bullish for gold. Another positive proxy is the increasing number of countries returning to buy gold for the first time in a decade.

Fundamentally, we see positive green shoots in the gold industry. Miners are facing an era of shrinking production and reserves. New discoveries are at multi-year lows. M&A activity is paramount for the industry to sustain future production. For Gunpoint, our flagship Talapoosa project is on the radar screen of several mining companies.

Since 2015, Timberline Resources Corporation ("Timberline") had the option to purchase Talapoosa for US\$11.3 million and 5.5 million common shares. Timberline was to pay an additional US\$10 million trigger payment if the price of gold traded at US\$1,600 per ounce for 90 days by 2024. On March 31, 2018, Timberline was unable to make a US\$2 million option payment and as such, 100% ownership of Talapoosa has reverted back to Gunpoint. During the option period, Gunpoint received US\$1.3 million and 3.0 million shares of Timberline.

Talapoosa is located in Nevada, arguably considered the top mining jurisdiction in the world. Talapoosa has a measured and indicated resource of 1.0 million ounces of gold and 13.6 million ounces of silver. A Preliminary Economic Assessment completed in 2015 envisioned an open pit, heap operation with robust project economics. North of the deposit, the Appaloosa Zone is a 7 kilometer long mineralized trend with similar geology and structures. Appaloosa is untested and we plan to undertake a systematic exploration program next year.

With the recent activity of intermediate producers acquiring Nevada projects, Talapoosa is a strategic asset. Significant interest has been expressed in Talapoosa especially with the district scale exploration upside of Appaloosa. We will evaluate opportunities to monetize the project but are patient sellers. Management is seeking a leveraged transaction that will generate a maximum reward and value for our shareholders.

Gunpoint is well positioned to capitalize on an upturn in the gold market. As always, I thank our shareholders for their loyal support and trust in management. We will continue to be fiscally prudent during weak market conditions, and as President, I have agreed not to raise my \$1 per year salary through 2019.

**GUNPOINT EXPLORATION LTD.**

A handwritten signature in black ink, appearing to read "P. Randy Reifel".

P. Randy Reifel

*President*

November 12, 2018