



Gunpoint Exploration Ltd.

Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(expressed in thousands of Canadian dollars, except where indicated)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gunpoint Exploration Ltd.

Opinion

We have audited the consolidated financial statements of Gunpoint Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,127,900 during the year ended December 31, 2018 and, as of that date, had an accumulated deficit of \$48,411,500. In addition, the Company has not generated operating revenue and relies on debt and equity funding to support its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 30, 2019



Gunpoint Exploration Ltd.

Consolidated Statements of Financial Position

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

	Note	As at December 31, 2018	As at December 31, 2017
Assets			
Current assets			
Cash		\$ 1,072.3	\$ 1,279.6
Amounts receivable and prepaid expenses		9.2	11.0
		1,081.5	1,290.6
Long-term investment	7	480.3	1,029.6
Investment in mineral properties	8	4,929.9	5,245.3
Reclamation deposits		215.6	172.2
Total assets		\$ 6,707.3	\$ 7,737.7
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 254.2	\$ 216.8
Promissory note	9	700.0	700.0
		954.2	916.8
Due to related party	12	1,057.5	1,036.2
Deferred income tax liabilities	14	-	78.7
Decommissioning obligation		226.5	181.6
Total liabilities		2,238.2	2,213.3
Shareholders' equity			
Share capital	10	9,637.4	9,637.4
Reserves		43,243.2	43,144.6
Deficit		(48,411.5)	(47,257.6)
Total shareholders' equity		4,469.1	5,524.4
Total liabilities and shareholders' equity		\$ 6,707.3	\$ 7,737.7

Nature of operations and going concern (note 1)

Subsequent event (note 15)

Approved by the Board of Directors

"P. Randy Reifel"

Director

"Gerald L. Sneddon"

Director

Gunpoint Exploration Ltd.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2018 and 2017

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

		December 31, 2018	December 31, 2017
Operating expenses			
Exploration		\$ (1.7)	\$ (2.5)
General and administrative		(32.0)	(31.8)
Professional fees		(48.8)	(62.1)
Share-based compensation	11	(72.6)	23.6
		(155.1)	(72.8)
Other income (expenses)			
Finance cost (net)		(36.0)	(35.8)
Foreign exchange gain (loss)		66.3	(90.7)
Other income (expenses)		90.7	77.3
Unrealized loss on investments	7	(601.3)	-
Impairment of investment in mineral properties	8	(571.2)	-
Total other income (expenses)		(1,051.5)	(49.2)
Net loss before income taxes		(1,206.6)	(122.0)
Deferred income tax recovery (expense)	14	78.7	156.1
Net income (loss)		(1,127.9)	34.1
Other comprehensive (loss) income ("OCI")			
Item that may be reclassified subsequently to net earnings:			
Unrealized gain (loss) on available for sale investments	7	-	(446.3)
Total comprehensive loss		(1,127.9)	(412.2)
Loss per share			
Basic and diluted		(0.03)	(0.00)
Weighted average shares outstanding			
Basic and diluted		43,501,600	43,501,600

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

Gunpoint Exploration Ltd.

Consolidated Statements of Changes in Equity

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

	Notes	Shares	Share capital	Additional paid-in capital	Warrant reserves	Share-based payments reserves	Convertible debentures reserves	Investment revaluation reserves	Deficit	Total equity
Balance at December 31, 2017		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,552.6	\$ 65.1	\$ (26.0)	\$ (47,257.6)	\$ 5,524.4
Net loss for the year		-	-	-	-	-	-	-	(1,127.9)	(1,127.9)
Unrealized gain on available for sale investments reclassification		-	-	-	-	-	-	26.0	(26.0)	-
Share-based compensation charges	11	-	-	-	-	72.6	-	-	-	72.6
Balance at December 31, 2018		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,625.2	\$ 65.1	\$ -	\$ (48,411.5)	\$ 4,469.1
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 income for the year		-	-	-	-	-	-	-	34.1	34.1
Unrealized loss on available for sale investments		-	-	-	-	-	-	(446.3)	-	(446.3)
Share-based compensation charges		-	-	-	-	(23.6)	-	-	-	(23.6)
Balance at December 31, 2017		43,501,600	\$ 9,637.4	\$ 41,509.9	\$ 43.0	\$ 1,552.6	\$ 65.1	\$ (26.0)	\$ (47,257.6)	\$ 5,524.4

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

Gunpoint Exploration Ltd.
Consolidated Statements of Cash Flows

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

	Note	December 31, 2018	December 31, 2017
Cash used in operating activities			
Net income (loss) for the year		\$ (1,127.9)	\$ 34.1
Items not affecting cash			
Unrealized foreign exchange loss (gain)		(66.3)	90.7
Deferred income tax expense (recovery)		(78.7)	(156.1)
Share-based compensation	11	72.6	(23.6)
Unrealized losses (gain) from investment		601.3	-
Impairment of mineral properties		571.2	-
Other	8(b)	(52.0)	(46.0)
		(79.8)	(100.9)
Change in non-cash operating working capital			
Amounts accounts receivable and prepaid expense		1.8	15.2
Accounts payable and accruals		37.5	(32.1)
		(40.5)	(117.8)
Cash flows provided by (used in) investing activities			
Mineral property expenditures		(255.8)	-
Proceeds from sale of mineral properties	8(a)	-	1,343.0
		(255.8)	1,343.0
Increase (decrease) in cash		(296.3)	1,225.2
Foreign exchange impact on cash		89.0	(103.9)
Cash– beginning of year		1,279.6	158.3
Cash– end of year		1,072.3	1,279.6
Supplemental cash flow information			
Long term investment received on option agreement	8(a)	\$ -	\$ 620.0

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, 2018 and 2017

(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”) which owns 74% of the Company. The Company’s registered office is at Suite 1201 – 1166 Alberni Street, Vancouver BC, V6C 3A6, Canada.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a consolidated net loss of \$1,127.9 for the year ended December 31, 2018 (2017 - net gain of \$34.1), and an accumulated deficit of \$48,411.5 as at December 31, 2018 (2017 - \$47,257.6). The Company’s working capital as at December 31, 2018 is \$127.3 (2017 - \$373.8). 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 and development of its mineral property interests. The Company continues to maintain low corporate and 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 its mineral properties on care and maintenance levels until the Company can obtain additional financing from joint venture partners or investors to further explore and develop its properties.

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

2 Basis of Presentation

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

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2019.

New Accounting Standards Issued But Not Yet Effective

IFRS 16 – Leases

On January 6, 2016, the IASB issued IFRS 16, Leases (“IFRS 16”). IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. IFRS 16 replaces IAS 17 Leases and the effective date for reporting periods beginning on or after January 1, 2019 with early adoption permitted. For lessees, IFRS 16 will bring most leases onto the consolidated statements of financial position under a single model, eliminating the distinction between operating and finance leases. Lessors will continue accounting for leases under a dual lease classification model, and the classification between operating and finance leases will determine how and when a lessor will recognize revenue, and what assets would be recorded.

The Company will be adopting IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company will be adopting the exemption for leases with a lease term of 12 months or less and for leases that are low value. While the assessment of the impact is still being determined, and the Company is not currently in a position to reliably quantify the full impact of IFRS 16 on its consolidated financial statements, the Company expects the adoption of this standard to increase asset by recording a right-of-use asset upon adoption. There will also be an increase to liabilities as a corresponding liability will also be recorded in the consolidated financial statements. The Company also expects an impact from the reclassification of lease expense from operating expense and general and administration expense to depreciation expense and interest expense. There will be no impact on the consolidated statement of cash flows as cash flows from operating activities will increase as payments will be reclassified to cash flows from investing activities.

Gunpoint Exploration Ltd.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

New Accounting Standards Adopted during the period

IFRS 9 – Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard was adopted on January 1, 2018 and the impact to the Company’s consolidated financial statements will be to classify its investments to fair value through profit or loss. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of \$26.0 from accumulated other comprehensive income to deficit on January 1, 2018. Future changes in the fair value of these investments will be recorded directly in the consolidated statement of operations. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, IASB issued IFRS 15 to replace IAS 18, Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on January 1, 2018 and did not have an impact on the consolidated financial statements.

3 Significant Accounting Judgments and Estimates

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

Critical Judgments

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

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

Gunpoint Exploration Ltd.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

- ii. Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions;
- iii. Management is required to assess impairment in respect of its investment in mineral properties. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. Management has determined that there were no triggering events present as defined in IFRS 6 for the other properties and as such, no impairment loss was recorded for the year ended December 31, 2018; and
- iv. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Accounting Estimates and Assumptions

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

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

4 Significant Accounting Policies

Basis of consolidation

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

The following subsidiaries are consolidated:

	Country of incorporation	Percentage owned	
		December 31, 2018	December 31, 2017
Gunpoint Exploration Ltd.	Canada	100%	100%
American Gold Capital US Inc.	United States	100%	100%
Gunpoint Exploration US Ltd.	United States	100%	100%
Minera CJ Gold, S.A. DE C.V	Mexico	100%	100%
Hunt Exploracion S.A.	Guatemala	100%	100%

Significant intercompany balances and transactions have been eliminated.

Foreign currency translation

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

Gunpoint Exploration Ltd.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

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

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

Transactions and balances:

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

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

Equipment

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

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

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

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

Investment in mineral properties

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

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

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

Gunpoint Exploration Ltd.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

Impairment of non-financial assets

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

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

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

Share-based payments

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

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

Income taxes

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

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

Cash and cash equivalents

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

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. As at December 31, 2018, the Company had 2,405,000 (2017 – 905,000) potentially dilutive shares relating to outstanding stock options.

Reclamation obligations

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

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

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

Gunpoint Exploration Ltd.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

Financial Instruments - Recognition and Measurements

(i) *Non-derivative financial assets*

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

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

Impairment

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

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

(ii) *Non-derivative financial liabilities*

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

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

(iii) *Derivative financial instruments*

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

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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.

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 cost 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, 2018		December 31, 2017	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
Cash	1,072.3	1,072.3	1,279.6	1,279.6
Long-term investment	480.3	480.3	1,029.6	1,029.6
Financial liabilities				
Accounts payable & accrued liabilities	254.2	254.2	216.8	216.8
Due to related party	1,057.5	1,057.5	1,036.2	1,036.2
Promissory note	700.0	700.0	700.0	700.0

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, 2018
Cash	\$ 1,072.3	\$ -	\$ -	\$ 1,072.3
Long-term investment	480.3	-	-	480.3
	\$ 1,552.6	\$ -	\$ -	\$ 1,552.6

	Level 1	Level 2	Level 3	Total December 31, 2017
Cash	\$ 1,279.6	\$ -	\$ -	\$ 1,279.6
Long-term investment	1,029.6	-	-	1,029.6
	\$ 2,309.2	\$ -	\$ -	\$ 2,309.2

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, 2018.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The Company's cash is held through large Canadian financial institutions.

Liquidity Risk

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

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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 Rate Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the United States, Mexico and Guatemala. Certain costs and expenses are incurred in US dollars, Mexican pesos and Guatemala quetzal. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable. The Company has limited transactions in Mexican pesos and Guatemala quetzal and a significant change in foreign exchange rate would not have a material impact on the Company's consolidated financial statements.

7 Investments

	December 31, 2017 Fair value	Acquired	Unrealized gain/(loss)	December 31, 2018 Fair value
Long-term investment	\$ 1,029.6	\$ 52.0	\$ (601.3)	\$ 480.3
	December 31, 2016 Fair value	Acquired	Unrealized gain/(loss)	December 31, 2017 Fair value
Long-term investment	\$ 810.0	\$ 665.9	\$ (446.3)	\$ 1,029.6

Long-term investments are designated as fair value through profit or loss and is carried at fair value. Unrealized gains and losses are recorded in the consolidated statement of operations. During the year ended December 31, 2018, the unrealized loss recorded in investments is \$601.3 (2017 – \$446.3).

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8 Mineral Properties

	Talapoosa	Escorpion	Total
December 31, 2016	\$ 6,641.6	\$ 558.6	\$ 7,200.2
Option agreement payment	(1,963.0)	-	(1,963.0)
Travel	-	6.3	6.3
Other	-	1.8	1.8
December 31, 2017	\$ 4,678.6	\$ 566.7	\$ 5,245.3
Licence, dues and fees	229.6	-	229.6
Geological & engineering	15.2	-	15.2
Travel	-	3.1	3.1
Other	6.5	1.4	7.9
Impairment	-	(571.2)	(571.2)
December 31, 2018	\$ 4,929.9	\$ -	\$ 4,929.9

a) Talapoosa

The Company owns a 100% interest in the Talapoosa Project ("Talapoosa") located in Lyon County, Nevada. Talapoosa is a low - sulfidation gold-silver property in the Walker Lane gold trend of western Nevada, approximately 45 kilometers east of Reno. The property consists of 535 unpatented lode mining claims, including 509 claims owned by the Company and 26 claims subject to a lease agreement with a third party (the "Unpatented Leased Land"). These claims are administered by the Bureau of Land Management ("BLM") and the annual maintenance fees for these claims payable to the BLM are approximately US\$75.0 and the annual lease payment for the Unpatented Leased land is US\$35.0. In addition, there are certain payments required for the land owned subject to leases with private 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 Talapoosa. In consideration for the Option, Timberline paid US\$300.0 and issued 2.0 million common shares of Timberline to American Gold.

Timberline can exercise the Option by making a US\$10.0 million cash payment to American Gold by September 12, 2017. For a period of five years after Timberline 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.

On October 20, 2016, the Option Agreement was extended (the "Extended Option") for a period of 18 months from September 12, 2017 to March 31, 2019. In consideration for the Extended Option, Timberline paid an additional US\$1.0 million (received) 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; and
- 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

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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.

Timberline did not make the US\$2.0 million option payment due March 31, 2018 to Gunpoint. Timberline's option to acquire the Talapoosa gold project has terminated and 100% ownership has reverted back to Gunpoint.

During the option term, Gunpoint received US\$1.3 million and 3.0 million common shares of Timberline. As at December 31, 2018, the market value of the Company's 3.0 million common shares of Timberline was \$270.0 (2017 - \$885.0).

b) La Cecilia (Sonora State, Mexico)

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 (Received)
- A \$75.0 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; and (subsequently received on January 31, 2019 – refer to Note 15)
- A \$125.0 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of Effective Date.

On April 24, 2018, Gunpoint received from Riverside, the \$25.0 cash payment and 200,000 common shares with a fair value of \$52.0 pursuant to the La Cecilia agreement.

Riverside is responsible for the property taxes and holding costs to maintain La Cecilia in good standing during the term of the agreement. As at December 31, 2018, the La Cecilia property is recorded at nil (2017 - nil) value due to a previous impairment. The consideration received from Riverside will be recognised as an income.

c) La Gitana (Oaxaca State, Mexico)

The La Gitana gold project ("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 La Gitana. 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 La Gitana 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. La Gitana was fully impaired as at December 31, 2014.

d) El Escorpion

On June 14, 2013, the Company purchased a 100% equity interest in Hunt Exploracion S.A. ("Hunt"), 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; and

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- 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 entered into an agreement with a private owner whereby Hunt would earn a 100% interest in the El Escorpion project (“Escorpion”) 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.

	US\$
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 US\$200.0 payment schedule as per below:

	US\$
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

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 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 \$20.0 to purchase Escorpion until the exploration suspension is lifted.

For the year ended December 31, 2018, the Company has spent \$4.5 (December 31, 2017 - \$8.1) in property payments and administrative expenses related to Escorpion.

For the year ended December 31, 2018, the Company recorded a \$571.2 of Escorpion due to the uncertainty of the permitting status.

9 Promissory Note

As at December 31, 2018, the Company has one convertible debenture in the principal amount of \$700.0 (2017 - \$700.0) which is due to the President of the Company. The note is unsecured, bears interest at 5% per annum, and is due on demand. On January 1, 2018, the Company and the debenture holder mutually agreed that the conversion option has expired.

Interest accrued for the year ended December 31, 2018 was \$35.0 (2017 - \$35.0). As at December 31, 2018, the total accrued interest related to the remaining outstanding promissory note was \$237.7 (2017 - \$202.7) and was included in account payable and accrued liabilities.

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10 Share Capital

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

Warrants

The following is a table that discloses the number of warrants as at December 31, 2018 and December 31, 2017:

	December 31, 2018		December 31, 2017	
	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
Expired	(500,000)	1.50	-	-
Outstanding - end of year	-	\$ -	500,000	\$ 1.50

11 Share Based Compensation

The Company has a share purchase option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of common shares pursuant to the grant of options to purchase shares. The option plan is administered by the Board of Directors. Options may be granted on such terms as the Board may determine within the limitations of the option plan and subject to the rules and policies of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 10% of the issued and outstanding common shares as at the date of grant. 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, 2018		December 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – beginning of year	905,000	\$ 0.25	1,425,000	\$ 0.25
Granted	1,500,000	0.25	-	-
Expired/cancelled	-	-	(520,000)	0.25
Outstanding – end of year	2,405,000	\$ 0.25	905,000	\$ 0.25

On April 30, 2018, the Company granted 1,500,000 incentive stock options to directors, officers, employees and consultants of the Company, at an exercise price of \$0.25 per share for a term of 5 years, expiring on April 30, 2023. The Options will vest and be exercisable on the basis of 25% annually commencing April 30, 2019, the first anniversary of the date of the option grant. The weighted average fair value of stock options granted (\$0.14 per stock option) was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock options of 5 years, volatility of 78%, annual rate of dividends of 0%, and a risk-free rate of 2.13%. As at December 31, 2018, the weighted average remaining contractual life of outstanding stock options is 2.8 years (2017 – 1.3 years).

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

Number of options	Number of options vested	Price per share	Expiry Date
905,000	905,000	\$ 0.25	23-Apr-19
1,500,000	-	0.25	30-Apr-23

The following table discloses the number of options and vested options outstanding as at December 31, 2017:

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

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12 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.

For the year ended December 31, 2018, there was \$17.0 (December 30, 2017 - \$25.0) paid to the Chief Financial Officer. As at December 31, 2018, the total accrued amount was nil (December 31, 2017 - nil).

During the year ended December 31, 2018, the Company incurred share-based compensation expense of \$62.9 (2017 – recovery of \$23.6) to key management personnel.

As at December 31, 2018, the Company has a promissory note in the principal amount of \$700.0, (plus related accrued interest) outstanding indebted to the President of the Company. This promissory note was originally a convertible debenture (see note 9) in prior year. The conversion feature expired as at January 1, 2018.

As of December 31, 2018, an amount of \$1,057.5 was due to Chesapeake, the parent of the Company (2017 - \$1,036.2). 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.

13 Segment Disclosures

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

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

December 31, 2017	Canada	Mexico	USA	Other	Total
Cash	\$ 1,233.5	\$ 3.2	\$ 42.8	\$ 0.1	\$ 1,279.6
Accounts receivable and prepaid expense	11.0	-	-	-	11.0
	1,244.5	3.2	42.8	0.1	1,290.6
Long term investment	144.6	-	885.0	-	1,029.6
Investment in mineral properties	-	-	4,678.6	566.7	5,245.3
Reclamation deposits	-	-	172.2	-	172.2
Total assets	\$ 1,389.1	\$ 3.2	\$ 5,778.6	\$ 566.8	\$ 7,737.7
Segment (loss) income for the year ended December 31, 2017	\$ (134.8)	\$ 41.3	\$ 136.3	\$ (8.7)	\$ 34.1

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14 Income taxes

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

	December 31, 2018	December 31, 2017
Loss before tax	\$ (1,206.6)	\$ (122.0)
Canadian statutory rate	27.00%	26.00%
Income tax recovery computed at Canadian statutory rate	(326.3)	\$ (31.7)
Difference in foreign tax rates	50.6	13.9
Change in future tax rate	-	560.6
Non-deductible expenses	35.4	(53.1)
Change in unrecognized deferred tax assets	280.9	(597.0)
Foreign Exchange and other	(119.3)	(48.8)
Deferred income tax expense (recovery)	\$ (78.7)	\$ (156.1)

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

	December 31, 2018	December 31, 2017
<i>Deferred income tax assets</i>		
Income tax loss carry forwards	\$ 505.0	\$ 327.4
Accrued Reclamation Obligation	-	38.1
<i>Deferred income tax liabilities</i>		
Investment in mineral properties	(497.0)	(444.2)
Intercompany debt	(8.0)	-
Net deferred tax liability	\$ -	\$ (78.7)

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

	December 31, 2018	December 31, 2017
Marketable securities	\$ 2,246.1	\$ 1,413.3
Equipment	55.2	55.2
Investment in mineral properties	1,011.8	414.6
Share issuance costs	55.3	18.5
Intercompany debt and net capital losses	-	301.6
Income tax loss carry forwards	9,262.4	7,084.9
Accrued reclamation obligation	197.5	-
	\$ 12,828.3	\$ 9,288.1

15 Subsequent Event

On January 31, 2019, the Company received \$75.0 and was issued 300,000 common shares of Riverside as part of the Option Agreement for Le Cecilia.