



## Management's Discussion and Analysis

### Year Ended December 31, 2019

(Expressed in Canadian dollars, unless otherwise noted)

April 29, 2020

*For further information on the Company, reference should be made to its public filings on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company's website at [www.gunpointexploration.com](http://www.gunpointexploration.com). This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2019, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain forward looking statements, please review the disclaimers that are provided at the last page of this report.*

## OVERVIEW

Gunpoint Exploration Ltd. (the "Company" or "Gunpoint") is focused on the acquisition and exploration of gold-silver deposits located in the United States, Mexico and Guatemala. Gunpoint's primary property is the Talapoosa gold project ("Talapoosa") in Nevada, USA.

The Company trades on the TSX Venture Exchange under the symbol "GUN". The Company has its head office in Vancouver, B.C.

## HIGHLIGHTS – year ended December 31, 2019

- The Company's cash and cash equivalent position as at December 31, 2019 was \$653,500.
- The Company received from Riverside Resources Inc. a \$75,000 cash payment and 300,000 common shares pursuant to the La Cecilia property agreement.
- The Company received from Inomin Mines Inc. a \$10,000 cash payment pursuant to a non-binding letter of intent to sell its 100% interest in the La Gitana gold-silver property.
- The Company agreed to sell its 100% interest in the Cerro Minas polymetallic property to Megastar Development Corp. for US\$100,000 in cash payments and 800,000 Megastar common shares staged over three years. During the year, the Company received US\$10,000 in cash payments and 100,000 Megastar common shares.

## TALAPOOSA (NEVADA, USA)

### Overview

The Company owns a 100% interest in Talapoosa located in Lyon County, Nevada. Talapoosa is a low-sulphidation gold-silver property located in the Walker Lane gold trend of western Nevada, approximately 45 kilometres east of Reno. Talapoosa consists of 509 unpatented lode mining claims owned by the Company, 26 unpatented lode mining claims leased from Sierra Denali Minerals, 4 additional fee land sections leased from Sario Land and Livestock, two additional fee land sections leased from Nevada Bighorns Unlimited Foundation and a portion of one additional fee land section owned by American Gold Nevada. The total land package for the property is contiguous and covers 14,870 acres. The unpatented lode mining claims are administered by the Bureau of Land Management.

Talapoosa has a National Instrument 43-101 compliant resource estimate hosting a measured and indicated resource of 632,000 ounces of gold (23.1 million tons at a grade of 0.035 oz/t AuEq) and an inferred resource of 326,000 ounces of gold (12.6 million tons at a grade of 0.033 oz/t AuEq) using a cut-off of 0.015 oz/t gold equivalent.

During 2011, the Company completed 15 core holes totaling 3,251 meters at Talapoosa. With the 2011 drill data, the Company re-modeled and re-interpreted the resource with independent consultants. In 2013, Tetra Tech WEI Inc. (“Tetra Tech”) provided an updated NI 43-101 resource estimate adding approximately 380,000 ounces of gold and 5.4 million ounces of silver compared to the previous NI 43-101 resource estimate. Set out in the table below is the updated Measured and Indicated Resource Estimate by Tetra Tech:

Cutoff Au g/t	Ore Type	Category	Tonnes	Grade Au g/t	Grade Ag g/t	Contained gold (ounces)	Contained silver (ounces)
0.45	Oxide	Measured	2,835,890	1.29	18.96	117,253	1,728,323
0.45	Sulphide	Measured	12,741,180	1.22	16.50	501,215	6,760,763
0.45	Oxide	Indicated	1,280,900	1.10	14.25	45,328	586,999
0.45	Sulphide	Indicated	11,504,500	0.94	12.36	349,005	4,573,274
0.45	Oxide	Total M&I	4,116,870	1.23	17.49	162,581	2,315,321
0.45	Sulphide	Total M&I	24,245,860	1.09	14.54	850,220	11,334,037
<b>0.45</b>	<b>Oxide + Sulphide</b>	<b>Total M&amp;I</b>	<b>28,362,500</b>	<b>1.11</b>	<b>14.97</b>	<b>1,012,802</b>	<b>13,649,358</b>
0.45	Oxide - Sulphide	Inferred	10,159,000	0.72	6.65	233,532	2,172,766

(1) Prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum classification system

(2) The 2013 resource model used ordinary kriging grade estimate within a three-dimensional block model with mineralized zone defined by wireframed solids

(3) Resource estimate was completed in imperial units with the following conversions:

- 1 gram/tonne = 0.0291667 troy oz/short ton
- 1 tonne = 1.10231 short ton

(4) A base cutoff grade of 0.45 g/t Au was used for reporting resources

(5) Capping was implemented for gold grades at 23.52 g/t and silver grades at 329.14 g/t

## Option agreement – Timberline Resources Corporation

On April 1, 2015, the Company granted Timberline Resources Corporation (“Timberline”) an option (“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\$300,000 and issued 2.0 million common shares of Timberline to American Gold.

Pursuant to the Agreement, Timberline had until September 12, 2017 to exercise the Option to acquire a 100% interest in Talapoosa (the “Option Period”). Timberline could exercise the Option by making a US\$10.0 million cash payment to American Gold. For a period of five years after Timberline exercised the Option, Timberline was required to pay American Gold an additional US\$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averaged US\$1,600 per ounce or greater for a period of ninety consecutive trading days. American Gold retains a 1% net smelter royalty (“NSR”) on Talapoosa which Timberline can purchase for US\$3.0 million.

On August 10, 2015, Timberline filed a “Preliminary Economic Assessment on the Talapoosa Project” (“PEA”) on SEDAR (for further details, please see the full PEA on [www.sedar.com](http://www.sedar.com)). At a 5% discount rate, the PEA indicated an after-tax NPV of US\$136 million and 39% IRR at US\$1,150/oz gold and US\$16/oz silver.

On October 20, 2016, the Option Agreement was amended. The Company agreed to extend the Option (“Extended Option”) 18 months to March 31, 2018. In consideration for the Extended Option, Timberline paid US\$1 million and issued one million common shares to the Company. In addition, Timberline’s repurchase option for the Company’s 1% NSR was terminated.

Timberline did not make the option payment due March 31, 2018 to Gunpoint. Timberline’s option to acquire Talapoosa was terminated and 100% ownership reverted back to the Company. During the Option Period, Gunpoint received US\$1.3 million and 3.0 million common shares of Timberline.

As at December 31, 2019, the market value of Gunpoint's 3.0 million common shares of Timberline was \$285,000 (December 31, 2018 - \$270,000).

## **OTHER EXPLORATION PROJECTS**

### **Le Cecilia (Sonora State, Mexico)**

In 2010, the Company acquired the La Cecilia Project ("La Cecilia") from Chesapeake Gold Corp. ("Chesapeake") together with three other properties for consideration that resulted in Chesapeake becoming a majority shareholder. Chesapeake currently owns 74% of the Company.

Located in northeastern Sonora State, Mexico, La Cecilia comprises three mineral concessions totalling 794 hectares. La Cecilia is a low-sulphidation, epithermal-type gold-silver system related to two well-developed northwest and northeast trending sets of faults centred on "Cerro Magallanes", a rhyolite dome complex. The mineralization occurs as high grade gold in vein structures and as lower grade within broader zones of stockworks and breccias. Numerous other anomalous zones of silicification, brecciation and argillic alteration exist across the extent of the flow dome complex.

On January 31, 2017, the Company entered into an agreement ("Option Agreement") with Riverside Resources Inc. ("Riverside") whereby Riverside was granted an option to acquire a 100% interest in La Cecilia.

Pursuant to the Option Agreement, Riverside can acquire a La Cecilia by making \$250,000 in cash payments and issuing one million Riverside common shares to the Company over three years per following schedule:

- A payment of \$10,000 upon execution of the Option Agreement; (Received);
- A \$15,000 cash payment and issuance of 100,000 common shares of Riverside concurrent with the execution of registerable agreement in Mexico ("the Effective Date") (Received);
- A \$25,000 cash payment and issuance of 200,000 common shares of Riverside on or before the first anniversary of the Effective Date; (Received);
- A \$75,000 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; (Received), and
- A \$125,000 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of Effective Date.(Received subsequent December 31, 2019)

To date, Gunpoint has received \$125,000 and 600,000 common shares of Riverside. As at December 31, 2019, the market value of Riverside's 600,000 common shares was \$96,000.

Riverside is responsible for the property taxes and holding costs to maintain La Cecilia in good standing during the term of the Option Agreement. As at December 31, 2019, the Company has recorded La Cecilia at nil value due to a previous impairment. The consideration received from Riverside will be recognised as income.

### **La Gitana (Oaxaca State, Mexico)**

The Company owns a 100% interest in the La Gitana property located in Oaxaca State, Mexico ("La Gitana"). La Gitana is a large low sulphidation epithermal system hosting precious metals mineralization that is both structurally and lithologically controlled. During 2005 and 2006, Chesapeake 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, northwest trending, structurally-controlled, epithermal system where gold-silver mineralization is found as high-grade shoots in a set of northwest 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 Chesapeake on the Cerro di Oro zone (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 discovered additional gold-silver mineralization along strike for over 300 meters to the southeast.

On June 4, 2019, the Company received a \$10,000 cash payment pursuant to a non-binding letter of intent ("LOI") with Inomin Mines Inc. to sell its 100% interest in the La Gitana. Inomin plans to complete due diligence verification work on historic drill results (8,642 metres) including re-logging of drill core and checking duplicate core samples on selected holes. In addition, Inomin is seeking to reach an acceptable surface rights agreement with the Ejido.

Pursuant to the LOI, Inomin has an option to acquire a 100% interest in La Gitana in consideration for \$300,000 in cash payments and issuing 2,000,000 common shares as follows:

- A payment of \$10,000 on signing the LOI; (Received)
- A payment of \$25,000 and 150,000 shares following execution of a definitive agreement;
- A payment of \$50,000 and 250,000 shares on first anniversary;
- A payment of \$65,000 and 450,000 shares on second anniversary;
- A payment of \$75,000 and 500,000 shares on third anniversary; and
- A payment of \$75,000 and 650,000 shares on fourth anniversary.

The Company continues to have discussions with the Santa Maria Lachixonace community "Ejido" to reach a surface agreement permitting exploration on La Gitana. The definitive agreement will be dependent on a surface agreement being finalized.

### **Cerro Minas (Oaxaca State, Mexico)**

The Cerro Minas Project ("Cerro Minas") is located 130 kilometers southwest of Oaxaca City and comprises 899 hectares. The mineralization at Cerro Minas consists of skarn and polymetallic replacement zones with silver, copper, zinc, lead and locally gold. Previous exploration identified two mineralized zones, La Reyna and La Fe, associated to the contact of an intermediate intrusion within a sequence of Cretaceous limestones and shales converted to marble and hornfels.

On October 16, 2019, the Company entered into an agreement ("Option Agreement") with Megastar Development Corp. ("Megastar") whereby Megastar was granted an option to acquire a 100% in Cerro Minas. Pursuant to the Option Agreement, Megastar can acquire Cerro Minas by making US\$100,000 in cash payments and issuing 800,000 Megastar common shares to the Company over three years per the following schedule:

- A payment of US\$10,000 and 100,000 common shares of Megastar on the Effective Date (Received).
- A US\$20,000 cash payment and 150,000 common shares of Megastar on or before the first anniversary of the Effective Date;
- A US\$30,000 cash payment and 250,000 common shares of Megastar on or before the second anniversary of the Effective Date; and
- A US\$40,000 cash payment and 300,000 common shares of Megastar on or before the third anniversary of the Effective Date.

Gunpoint retains a 1.5% net smelter return royalty on Cerro Minas which Megastar has the option to purchase an 0.5% net smelter royalty for US\$1.0 million dollars. Megastar is responsible for the property taxes and holding costs (including surface right agreement) to maintain Cerro Minas in good standing during the term of the Option Agreement.

### **El Escorpion (Guatemala)**

Chesapeake has an option to purchase the El Escorpion property ("El Escorpion"), a 900 hectare concession in eastern Guatemala. To earn a 100% interest in El Escorpion, Chesapeake agreed to pay US\$351,000 in option payments over 5 years. A 1% NSR can be purchased for US\$585,000.

El Escorpion is located 85 kilometers by paved road southeast of Guatemala City. El Escorpion is situated seven kilometers southwest and along trend of Pan American Silver's Escobal deposit which has a NI 43-101 compliant indicated mineral resource of 367 million ounces of silver grading 422 g/t, plus 37 million ounces of silver grading 254 g/t in the inferred category. Mineralization at Escobal is associated with steeply dipping and northeast-southwest trending intermediate sulfidation epithermal silver rich quartz veins with significant values in gold, lead and zinc. The Escobal land package completely surrounds El Escorpion.

The Company is acquiring a 100% interest in El Escorpion by issuing 500,000 common shares of Gunpoint to Chesapeake and assuming the remaining property payments to the concession owner. To date, the vendor has received US\$331,000 of the US\$351,000 purchase price.

If Chesapeake elects to purchase the existing 1.0% NSR, Chesapeake will be granted a 0.5% NSR royalty. In addition, Gunpoint will issue 1.0 million common shares to Chesapeake in the event a NI 43-101 measured and indicated resource estimate of 1.0 million gold equivalent ounces is defined on El Escorpion.

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

## SUMMARY OF CONSOLIDATED LOSS

In \$000s	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Exploration	\$ (23.0)	\$ (1.7)	\$ (2.5)
General & administration <sup>(1)</sup>	(132.6)	(80.8)	(93.9)
Share based compensation	(73.3)	(72.6)	23.6
	(228.9)	(155.1)	(72.8)
Finance cost, net	(36.1)	(36.0)	(35.8)
Foreign exchange gain (loss)	(88.4)	66.3	(90.7)
Impairment PPE	-	(571.2)	-
Unrealized loss on investment	(95.1)	(601.3)	-
Other income (expenses)	173.4	90.7	77.3
Net loss before tax	(275.1)	(1,206.6)	(122.0)
Deferred income tax recovery	-	78.7	156.1
Net income (loss) after tax	(275.1)	(1,127.9)	34.1
Other comprehensive income	-	-	(446.3)
Net loss and comprehensive loss	(275.1)	(1,127.9)	(412.2)
Basic/Diluted loss per share	(0.01)	(0.03)	(0.00)

<sup>1</sup> General and administration (“G&A”) consists of general and administrative expenses and professional fees

The Company incurred a net loss of \$275,100 for the year ended December 31, 2019, compared to a net loss of \$1,127,900 in 2018, and net income of \$34,100 in 2017. The fluctuation of net income over the past three years was due to differences in general & administration expenses (“G&A”), share-based compensation, foreign exchange gain (loss), impairment, unrealized gain (loss) on investments, mineral property joint venture payments, other income, and deferred tax recovery.

The Company incurred \$132,600 general and administration costs in 2019, compared to \$80,800 in 2018 and \$93,900 in 2017. The higher G&A cost is mostly due to the office/warehouse leased in Reno, Nevada and professional fees related to the property option agreements.

The Company recognized share-based compensation expenses of \$73,300 in the current year, compared to an expense of \$72,600 in 2018, and a gain of \$23,600 in 2017. The higher expenses in 2019 and 2018 are due to granting share options in April 2018.

The foreign exchange loss for the year ended December 31, 2019 was \$88,400, compared to a gain of \$66,300 in 2018, and a loss of \$90,700 in 2017. The change in foreign exchange gain or loss was due to the fluctuation of foreign exchange rates through the years.

The Company recognized an impairment loss of \$571,200 on El Escorpion project in 2018 due to the uncertainty of permitting status. This was a one time event not occurring in 2017 or 2019.

The Company adopted IFRS 9 on January 1, 2018. As a result, unrealized gains or losses from investment are classified as a part of net loss instead of being included in Other Comprehensive Income (“OCI”). The Company had an unrealized loss from investment of \$95,100 in 2019, compared to a loss of \$601,300 in 2018, and a loss of \$446,300 in 2017. The lower investment loss is due to the relative increase in the market value from the Company’s holdings in Timberline, Julian Resources and Riverside shares.

During the current year, the Company received \$75,000 cash and 300,000 common shares from Riverside pursuant to the La Cecilia agreement, and US\$10,000 cash and 100,000 common shares from Megastar pursuant to the Cerro Minas agreement. The Company also received \$10,000 from Inomin related to the La Gitana LOI. The total fair market value was recorded as other income.

In addition, deferred income tax recovery also differentiated from 2017 to 2019. In 2019, the Company has a non-cash deferred income tax recovery of \$nil, compared to deferred income tax recovery of \$78,700 in 2018, and income of \$156,100 in 2017. The deferred income tax recovery was driven by the difference between the tax basis and accounting basis of assets and liabilities.

#### **Consolidated quarterly loss – 8 quarters historic trend**

In \$000s	3mths 31-Dec-18	3mths 30-Sep-19	3mths 30-Jun-19	3mths 31-Mar-19	3mths 31-Dec-18	3mths 30-Sep-18	3mths 30-Jun-18	3mths 31-Mar-18
Exploration	(19.0)	(1.7)	(1.2)	(1.1)	(0.2)	(1.1)	(0.1)	(0.3)
Net gain (loss) before taxes	(124.6)	(16.0)	(243.0)	108.5	(740.3)	(162.5)	(77.0)	(226.8)
Deferred income tax recovery	-	-	-	-	78.7	-	-	-
Net (loss) income after taxes	(124.6)	(16.0)	(243.0)	108.5	(661.6)	(162.5)	(77.0)	(226.8)
Total comprehensive (loss) income	(124.6)	(16.0)	(243.0)	108.5	(661.6)	(162.5)	(77.0)	(226.8)
Basic/Diluted (loss) income per share	(0.00)	(0.00)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)
Total assets	6,506.8	6,613.5	6,608.2	6,828.7	6,707.3	7,362.3	7,489.3	7,533.8

#### **Three months ended December 31, 2019 vs. all prior quarters historically.**

The Company incurred a net loss after tax of \$124,600 for the three months ended December 31, 2019. The net loss is lower compared to most of the historic quarters in the past two years except for Q1 2019, Q3 2019 and Q2 2018. The lower loss was due to a smaller unrealized loss on investment from the Company’s holdings in Timberline, Julian Resources and Riverside shares during the current quarter (\$5,600 in Q4 2019), compared to most of the historic quarters.

The lower net loss in Q2 2018 was due to a foreign exchange gain of \$23,600 in Q2 2018, compared to an exchange loss of \$73,500 in Q4 2019. In addition, during Q2 2018, the Company recognized other income of \$82,300 compared to \$28,000 in Q4 2019. Other income relates to cash and common shares related to property agreements. The higher exchange gain and other income in Q2 2018 was offset by an unrealized loss on investment of \$122,500.

The higher net income in Q1 2019 was due to an unrealized gain on investment of \$32,100 and receiving a \$75,000 cash payment and 300,000 common shares from Riverside pursuant to the La Cecilia property agreement. The proceeds received were recognized in other income.



In Q3 2019, the net loss was lower compared to Q4 2019, due to a foreign exchange gain of \$12,200, compared to \$73,500 loss in Q4 2019, and an unrealized gain on investment of \$22,100, compared to a loss of \$5,600 in Q4 2019.

During 2019, the Company's corporate activities were focused on coordinating due diligence for third parties interested in Talapoosa. The Company also negotiated agreements to sell its La Gitana and Cerro Minas properties. As well, the Company continued to maintain its La Gitana and El Escorpion properties in good standing for joint venture or divestiture.

Total assets decreased over the past fiscal years due to funding the Company's corporate activities, property divestitures and maintaining its other properties in good standing.

## LIQUIDITY AND CAPITAL RESOURCES

In \$000s, year ended	December 31, 2019	December 31, 2018	December 31, 2017
Cash outflows from operating activities	(38.1)	(40.5)	(117.8)
Cash flow (outflow) from investing activities	(246.9)	(255.8)	1,343.0
Foreign exchange impact on cash	(133.8)	89.0	(103.9)
Net cash flows	(418.8)	(207.3)	1,121.3
Cash balance	653.5	1,072.3	1,279.6

As at December 31, 2019, the Company has a net working capital deficiency of \$328,800 compared to a positive \$127,300 at December 31, 2018. The decrease in net working capital is due to the decrease of the cash balance for corporate activities. Funds were used to maintain Talapoosa and its Mexican properties in good standing and general and administrative expenses.

Cash outflows from operating activities for the year ended December 31, 2019 were largely for land lease payments and increasing the reclamation deposit for Talapoosa. Property taxes and maintenance costs were also expended to keep the Mexican and Guatemala projects in good standing. The cash outflow was offset by a \$75,000 cash payment from Riverside. The net impact was a lower cash outflow compared with the same period in 2018 and 2017.

Cash outflow from investing activities for the year ended December 31, 2019 was \$246,900, compared to an outflow of \$255,800 in 2018. The cash outflow incurred related to maintaining the Company's properties in good standing. The cash inflow in 2017 was from Timberline's Talapoosa option payment (US\$1 million) and Riverside's option payment (\$25,000).

The Company's ability to continue as a going concern is dependent on the corporate ability to raise funds. The Company has placed its mineral properties on care and maintenance until the Company can obtain additional financing.

## SHAREHOLDERS' EQUITY

As at December 31, 2019 and the date of this report the Company had 43,501,600 shares issued and outstanding.

As at December 31, 2019 and the date of this report, the Company did not have any share purchase warrants outstanding.

The following is a summary of the stock options outstanding as at December 31, 2019 and as at the date of this report:

Number of options	Vested	Exercise price per share	Expiry Date
1,500,000	375,000	\$0.25	2-May-23

## REGULATORY DISCLOSURES

### *Off-Balance Sheet Arrangements*

As at the date of this report, the Company does not have any off-balance sheet arrangements.

### *Related Party Transactions*

The Company's related parties include its subsidiaries, associates over which it exercises significant influence. 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, 2019, an amount of \$17,000 (2018 - \$17,000) was paid to the Chief Financial Officer.

As at December 31, 2019, the Company has a promissory note in the principal amount of \$700,000 (plus related accrued interest) outstanding. The promissory note bears interest at 5% per annum and is due on demand. The promissory note and accrued interest is indebted to the President of the Company.

As of December 31, 2019, an amount of \$1,035,100 was due to Chesapeake, the parent of the Company (December 31, 2018 - \$1,057,500). These amounts are unsecured and non-interest bearing.

### *Financial Instruments*

The following provides a comparison of carrying and fair values of each classification of financial instrument:

In \$000s	December 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	653.5	653.5	1,072.3	1,072.3
Long-term investment	442.2	442.2	480.3	480.3
<b>Financial liabilities</b>				
Accounts payable & accrued liabilities	288.8	288.8	254.2	254.2
Due to related party	1,035.1	1,035.1	1,057.5	1,057.5

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

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.



<b>In '000</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total December 31, 2019</b>
Long-term investment	442.2	-	-	442.2
	\$ 442.2	\$ -	\$ -	\$ 442.2
<b>In '000</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total December 31, 2018</b>
Long-term investment	480.3	-	-	480.3
	\$ 480.3	\$ -	\$ -	\$ 480.3

### ***Capital Management***

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 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 cash equivalents, 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.

### ***Significant Accounting Policies***

Please refer to the audited annual financial statements for the year ended December 31, 2019 which was filed on SEDAR.

## **RISKS AND UNCERTAINTIES**

The Company is in the business of acquiring, exploring and developing gold and silver properties. The Company is exposed to a number of risks and uncertainties that are common to other resource exploration companies in the same business.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### **COVID-19 Pandemic**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not

possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business at this time.

### **Early Stage – Need for Additional Funds**

Gunpoint does not have a history of profitable operations and its present business is at an early stage. Subject to additional financing, the Company anticipates that it may make substantial capital expenditures for the acquisition, exploration, development and production of its mineral properties in the future. The Company currently has no revenue and may have limited ability to expend the capital necessary to undertake or complete future exploration or development programs. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that Gunpoint will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its properties.

### **Exploration and Development**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

The Company does not have any operating mines at present. All the Company's properties are in the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties and substantial additional work will be required in order to determine the presence of any such deposit.

All of the mineral claims to which Gunpoint has a right to acquire an interest are in the exploration stages only, and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

There is no assurance that Gunpoint's mineral exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of Gunpoint's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

### **Operating Hazards and Risks**

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which Gunpoint has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages.

Although Gunpoint maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Gunpoint could incur significant costs that could have a materially adverse effect upon its financial conditions.

### **Supplies, Infrastructure, Weather and Inflation**

Gunpoint's property interests are often located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, Gunpoint may be forced to rely on the accessibility of secondary roads and air transport for the supply of goods and services.

### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of Gunpoint may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond Gunpoint's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### **Title Risks**

Although Gunpoint has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Gunpoint's mineral property interests may be subject to prior unregistered agreements, or transfers, or indigenous claims, and title may be affected by undetected defects.

### **Environmental Regulations, Permits and Licenses**

Gunpoint's operations are subject to various laws and regulations in the various jurisdictions in which the Company operates that govern the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters.

Environmental legislation provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Gunpoint intends to fully comply with all environmental regulations.

The current operations of Gunpoint require permits from various United States, Mexican, and Guatemalan domestic authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

Gunpoint believes that it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which Gunpoint may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases, and Gunpoint competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect Gunpoint's ability to acquire suitable properties or prospects in the future.

Gunpoint may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, Gunpoint may not be able to finance the expenditures required to complete recommended programs.

### **Economic Conditions**

Unfavourable economic conditions may negatively impact Gunpoint's financial viability. Unfavorable economic conditions could also increase Gunpoint's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

## **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Gunpoint could result and other persons would be required to manage and operate Gunpoint.

## **FORWARD LOOKING STATEMENTS**

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to, statements regarding prospective metal production, timing and expenditures to develop the properties, mineral resources, grades and recoveries, cash costs per ounce, capital and operating expenditures and sustaining capital and the ability to fund mine development. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: ability to finance mine development, fluctuations in the prices of metals, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada, the United States and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; risks in obtaining necessary licenses and permits, and challenges to the Company's title to properties.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

### ***Other technical information***

Mr. Todd McCracken (P. Geo) of Tetra Tech is the Qualified Person as defined by NI 43-101 and is responsible for technical information in the updated Resource Estimate for Talapoosa.