



Management's Discussion and Analysis

Third Quarter Report - September 30, 2020

(Expressed in Canadian dollars, unless otherwise noted)

November 30, 2020

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.gunpointexploration.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2020 and 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 – period ended September 30, 2020

- The Company's cash position as at September 30, 2020 was \$431,500.
- The Company received from Riverside Resources Inc. the final \$125,000 cash payment and 400,000 common shares for the acquisition of the La Cecilia property.
- On August 4, 2020 Gunpoint agreed to sell La Gitana and another exploration property in Oaxaca state ("Pena Blanca") to Inomin for \$25,000 and 1.0 million common shares of Inomin. The Company retains a 1.5% NSR on Pena Blanca. Inomin has the option to purchase 0.5% of the 1.5% NSR from Gunpoint for \$1.0 million dollars.
- Subsequent to September 30, 2020, Gunpoint received from Megastar Development Corp. a cash payment of \$20,000 and 150,000 common shares of Megastar pursuant to the first anniversary option payment on the Cerro Minas property.

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
0.45	Oxide + Sulphide	Total M&I	28,362,500	1.11	14.97	1,012,802	13,649,358
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 tonnes = 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). 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 September 30, 2020, the market value of Gunpoint's 3.0 million common shares of Timberline was \$960,000 (December 31, 2019 - \$285,000).

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.

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)

In total, Gunpoint has received \$250,000 and 1.0 million common shares of Riverside. As at September 30, 2020 the market value of Gunpoint's 1.0 million common shares of Riverside was \$270,000 (December 31, 2019 - \$150,000). The Company has recorded La Cecilia at nil value due to a previous impairment. The consideration received from Riverside was recognised as income.

During the quarter, Riverside spun out their Penoles project in Mexico by way of a plan of arrangement by issuing to existing Riverside shareholders common shares of Capitan Mining Inc ("Capitan Shares"), a new public company on the TSX Venture Exchange. Gunpoint received 259,399 Capitan Shares with a fair market value of \$49,286 as at September 30, 2020.

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.

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. ("Inomin") to sell its 100% interest in the La Gitana. 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.

Gunpoint continued to have discussions with the Santa Maria Lachixonace community (“Ejido”) to reach a surface agreement permitting exploration on La Gitana. The definitive agreement was dependent on a surface agreement being finalized with the Ejido. The Company was unable to reach an agreement with the Ejido.

On August 4, 2020, Gunpoint agreed to sell La Gitana and another exploration property in Oaxaca state (“Pena Blanca”) to Inomin for \$25,000 and 1.0 million common shares of Inomin (“Agreement”). The Company retains a 1.5% NSR on Pena Blanca. Inomin has the option to purchase 0.5% of the 1.5% NSR from Gunpoint for \$1.0 million dollars. The Company is awaiting approval of the Agreement from the TSX Venture Exchange.

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 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 (Received subsequently on October 19, 2020);
- 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 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 acquired 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	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Exploration	\$ (0.1)	\$ (1.7)	\$ (1.1)	\$ (4.0)
General & administration ⁽¹⁾	(24.5)	(30.0)	(99.3)	(101.3)
Share-based compensation	(7.6)	(14.2)	(31.3)	(59.1)
	(32.2)	(45.9)	(131.7)	(164.4)
Finance cost (net)	(9.2)	(9.0)	(27.4)	(27.1)
Foreign exchange gain (loss)	(14.0)	12.2	9.0	(14.9)
Unrealized gain (loss) on investment	860.8	22.1	1,090.2	(89.5)
Other income (expenses)	-	4.6	185.8	145.4
Total other income (expenses)	837.6	29.9	1,257.6	13.9
Net income (loss) and comprehensive income (loss)	805.4	(16.0)	1,125.9	(150.5)
Basic/Diluted earnings (loss) per share	0.02	(0.00)	0.03	(0.00)

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

The Company incurred net income of \$1,125,900 for the nine months ended September 30, 2020, compared to a net loss of \$150,500 during the third quarter of 2019. The Company had an unrealized gain on investments of \$1,090,200 compared to a loss of \$89,500 in 2019. The investment gain is due to the increase in the market value from the Company’s equity holdings in Timberline, Julian Resources, Riverside and Megastar.

For the nine months ended September 30, 2020, a foreign exchange gain of \$9,000 was recognized compared to an exchange loss of \$14,900 in 2019. The gain was due to the fluctuation of the foreign exchange rates.

During current period ended, the Company incurred general and administration expenses of \$99,300 compared to \$101,300 in the same nine months period in 2019. The general and administration costs are mostly due to the office/warehouse leased in Reno, Nevada and professional fees related to the property option agreements.

The Company recognized a share-based compensation expense of \$31,300 in the current period compared to an expense of \$59,100 in 2019. The current period expense is due to granting share options in April 2018.

During the first quarter, the Company received \$125,000 cash and 400,000 common shares from Riverside, compared to \$75,000 cash and 300,000 common shares received in 2019. In addition, the Company received 259,399 Capitan Shares spun out from Riverside. The fair market value of the Capitan Shares as at September 30, 2020 was \$49,286 which was recorded as an unrealized gain on investment.

Consolidated quarterly loss – 8 quarters historic trend

In \$000s	3mths 30-Sep-20	3mths 30-Jun-20	3mths 31-Mar-20	3mths 31-Dec-19	3mths 30-Sep-19	3mths 30-Jun-19	3mths 31-Mar-19	3mths 31-Dec-18
Exploration	(0.1)	(0.4)	(0.6)	(19.0)	(1.7)	(1.2)	(1.1)	(0.2)
Net gain (loss) before taxes	805.4	288.8	31.7	(139.6)	(16.0)	(243.0)	108.5	(740.3)
Deferred income tax recovery	-	-	-	-	-	-	-	78.7
Net (loss) income after taxes	805.4	288.8	31.7	(139.6)	(16.0)	(243.0)	108.5	(661.6)
Total comprehensive (loss) income	805.4	288.8	31.7	(139.6)	(16.0)	(243.0)	108.5	(661.6)
Basic/Diluted (loss) income per share	0.02	0.01	0.00	(0.00)	(0.00)	(0.01)	0.00	(0.02)
Total assets	7,701.3	6,889.0	6,600.3	6,506.8	6,613.5	6,608.2	6,828.7	6,707.3

Three months ended September 30, 2020 vs. all prior quarters historically.

The Company incurred net income of \$805,400 for the three months ended September 30, 2020. Relative to the historic quarters in 2020, 2019 and 2018, the current quarter's income was the highest recorded due to an unrealized gain on investments of \$860,800.

During the third quarter of 2020, the Company's corporate activities were focused on coordinating due diligence for third parties interested in Talapoosa and monetizing its interest in the La Gitana property. The Company continued to maintain its Rio Minas and El Escorpion properties in good standing for joint venture or divesture.

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

LIQUIDITY AND CAPITAL RESOURCES

In \$000s	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash inflow (outflow) from operating activities	(23.9)	(25.2)	30.8	(9.6)
Cash inflow (outflow) from investing activities	(204.7)	(213.3)	(264.6)	(249.6)
Foreign exchange impact on cash	(17.4)	8.5	11.8	(35.6)
Net cash flows	(228.6)	(238.5)	(233.8)	(259.2)
Cash balance	431.5	777.5	431.5	777.5

As at September 30, 2020, the Company has a net working capital deficiency of \$579,500 compared to a deficiency of \$328,800 at December 31, 2019. The decrease in net working capital is due to a declining cash position and an increase in accounts payable, offset by the Riverside \$125,000 cash payment and 400,000 common shares received to complete the acquisition of La Cecilia.

Cash inflows from operating activities for the nine months ended September 30, 2020 were largely due to the \$125,000 cash payment and 400,000 Riverside common shares received.

Cash outflow from investing activities for the nine months ended September 30, 2020 was \$264,600 compared to an outflow of \$249,600 in 2019. The cash outflow incurred related to maintaining the Company's properties in good standing and negotiating potential property option agreements.

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 September 30, 2020 and the date of this report the Company had 43,501,600 shares issued and outstanding.

As at September 30, 2020 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 September 30, 2020 and as at the date of this report:

Number of options	Vested	Exercise price per share	Expiry Date
1,500,000	750,000	\$0.25	May 2, 2023

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 period ended September 30, 2020, an amount of \$12,750 (2019 - \$12,750) was paid to the Chief Financial Officer.

As at September 30, 2020, 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 September 30, 2020, an amount of \$1,038,100 was due to Chesapeake, the parent of the Company (December 31, 2019 - \$1,035,100). 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:

	September 30, 2020		December 31, 2019		
	In \$000s	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Cash and cash equivalents		431.5	431.5	653.5	653.5
Long-term investment		1,588.4	1,588.4	442.2	442.2
Financial liabilities					
Accounts payable & accrued liabilities		317.3	317.3	288.8	288.8
Due to related party		1,038.1	1,038.1	1,035.1	1,035.1

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.

In '000				
	Level 1	Level 2	Level 3	Total September 30, 2020
Long-term investment	1,588.4	-	-	1,588.4
	\$ 1,588.4	\$ -	\$ -	\$ 1,588.4
In '000				
	Level 1	Level 2	Level 3	Total December 31, 2019
Long-term investment	442.2	-	-	442.2
	\$ 442.2	\$ -	\$ -	\$ 442.2

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

As an exploration company, Gunpoint does not have a history of profitable operations and its present business is at an early stage. 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 does not have an expectation of revenue from operations 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.