



## **GUNPOINT EXPLORATION LTD.**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021**

(expressed in thousands of Canadian Dollars, unless otherwise noted)

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## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Gunpoint Exploration Ltd.:

Management is responsible for the preparation and presentation of the accompanying unaudited Condensed Consolidated Interim Financial Statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the unaudited Condensed Consolidated Interim Financial Statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of Gunpoint Exploration Ltd.'s external auditors.

We draw attention to Note 1 in the unaudited Condensed Consolidated Interim Financial Statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

“P. Randy Reifel”

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P. Randy Reifel, CEO

“Cindy leong”

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Cindy leong, CFO

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

Note	As at 31 March 2022	As at 31 December 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,540	\$ 84
Amounts receivable and Prepaids	49	27
	1,589	111
<b>Non-current assets</b>		
Investment in mineral properties (7)	5,847	5,778
Investments (8)	2,011	1,328
Reclamation deposit	221	224
	\$ 9,668	\$ 7,441
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (12)	\$ 418	\$ 565
Promissory note (9)	-	700
	418	1,265
<b>Non-current liabilities</b>		
Due to related party (10)	-	1,032
Reclamation obligation	207	211
Total Liabilities	\$ 625	\$ 2,508
<b>EQUITY</b>		
Share capital (11)	12,945	9,637
Reserves	43,589	43,405
Deficit	(47,491)	(48,109)
	9,043	4,933
	\$ 9,668	\$ 7,441

Nature of operations and going concern (1)

Approved and authorized for issue by the Board of Directors on 18 May 2022:

“P. Randy Reifel”

P. Randy Reifel, Director

“John Mackay”

John Mackay, Director

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)**

	Note	Three Months Ended 31 March 2022	Three Months Ended 31 March 2021
<b>Expenses</b>			
Exploration		\$ 1	\$ 1
General and administration		37	11
Professional fees		54	6
Share-based compensation	(11)	74	7
Total expenses		166	25
(Loss) before items below		(166)	(25)
<b>Other income (expense)</b>			
Finance costs		-	(9)
Other income		-	162
Foreign exchange gain		170	2
Unrealized gain (loss) on investments	(8)	511	(750)
Gain on debt settlement		103	-
Total other income (expenses)		784	(595)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 618</b>	<b>\$ (620)</b>
<b>Earnings (loss) per share, basic and diluted</b>		<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Weighted Average Shares Outstanding</b>			
Basic		49,944,933	43,501,600
Diluted		52,232,433	43,501,600

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

	Shares	Share Capital	Additional paid-in capital	Warrants reserves	Share-based payments reserves	Convertible debenture reserves	Deficit	Total Equity
<b>BALANCE AS AT 31 DECEMBER 2020</b>	43,501,600	\$ 9,637	\$ 41,510	\$ 43	\$ 1,738	\$ 65	\$ (47,178)	\$ 5,815
Share-based compensation	-	-	-	-	49	-	-	49
Net loss for the year	-	-	-	-	-	-	(931)	(931)
<b>BALANCE AS AT 31 DECEMBER 2021</b>	<b>43,501,600</b>	<b>\$ 9,637</b>	<b>\$ 41,510</b>	<b>\$ 43</b>	<b>\$ 1,787</b>	<b>\$ 65</b>	<b>\$ (48,109)</b>	<b>\$ 4,933</b>
Share-based compensation	-	-	-	-	74	-	-	74
Shares for debt settlement	<b>3,443,333</b>	<b>1,963</b>	-	-	-	-	-	<b>1,963</b>
Private placement	<b>3,000,000</b>	<b>1,345</b>	-	110	-	-	-	<b>1,455</b>
Net income for the period	-	-	-	-	-	-	618	618
<b>BALANCE AS AT 31 MARCH 2022</b>	<b>49,944,933</b>	<b>\$ 12,945</b>	<b>\$ 41,510</b>	<b>\$ 153</b>	<b>\$ 1,861</b>	<b>\$ 65</b>	<b>\$ (47,491)</b>	<b>\$ 9,043</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

	Three Months Ended 31 March 2022	Three Months Ended 31 March 2021
<b>OPERATING ACTIVITIES</b>		
<b>Net income (loss)</b>	\$ 618	\$ (620)
<b>Items not affecting cash:</b>		
Share-based compensation	74	8
Foreign exchange (gain)	(170)	(2)
Unrealized (gain) loss on investments	(511)	750
Gain on debt settlement	(103)	-
Shares received from option agreements	-	(135)
	(92)	1
<b>Changes in non-cash working capital:</b>		
Amounts receivable and Prepaid expenses	(22)	2
Accounts payable and accrued liabilities	186	(9)
<b>Cash provided by (used in) operating activities</b>	<b>72</b>	<b>(6)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement	1,500	-
Share issuance cost	(45)	-
<b>Cash provided by financing activities</b>	<b>1,455</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>		
Mineral property expenditures	(69)	(46)
<b>Cash (used in) investing activities</b>	<b>(69)</b>	<b>(46)</b>
<b>Foreign exchange impact on cash</b>	<b>(2)</b>	<b>(8)</b>
<b>Net increase (decrease) in cash</b>	<b>1,456</b>	<b>(60)</b>
Cash – Beginning of Period	84	385
<b>Cash – End of Period</b>	<b>\$ 1,540</b>	<b>\$ 325</b>
<b>Supplemental disclosure of non-cash activities</b>		
Debentures settlement	(700)	-
Interest settled included in accounts payable	(334)	-
Due to related party Settlement	(1,032)	-

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

**1) Nature of operations and going concern**

Gunpoint Exploration Ltd. (“Gunpoint” or the “Company”) was incorporated under the laws of British Columbia on 27 October 1989. Gunpoint is focused on the acquisition and exploration of precious metals located in the western United States.

Gunpoint is domiciled in Vancouver, Canada and its common shares are listed on the TSX Venture Exchange under the trading symbol “TSX.V: GUN”. The Company is controlled by Chesapeake Gold Corp. (“Chesapeake”) which owns 69% of the Company’s common shares. The Company’s registered office is at Suite 201 - 1512 Yew Street, Vancouver, BC, V6K 3E4, Canada.

These condensed consolidated interim financial statements (the “Financial Statements”) have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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 for the exploration and development of its mineral properties. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

	<b>31 March 2022</b>	31 December 2021
Working capital (deficit)	\$ 1,171	\$ (1,154)
Deficit	\$ (47,491)	\$ (48,109)

These Financial Statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements; these adjustments could be material.

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. The impact on the Company has been minimal to date and 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 or results of operations at this time.

**2) Basis of presentation – Statement of Compliance**

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Since the Condensed Consolidated Interim Financial Statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended 31 December 2021.

The 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. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. The Financial Statements are presented in Canadian dollars.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021**

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**3) Use of estimates and judgments**

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

*Critical Judgments*

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

- i. 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;
- ii. 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 period ended 31 March 2022 and for the year ended 31 December 2021; and
- iii. 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.
- iv. Factors used in the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period.

*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



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021**

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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; and
- iii. Other significant accounting estimates including the carrying value of investment

**4) Summary of significant accounting policies**

The accounting policies and methods of computation followed in preparing these Financial Statements are consistent with those applied and disclosed in the most recent audited annual consolidated financial statements. For a complete summary of significant accounting policies, please refer to the Company's audited consolidated financial statements for the year ended 31 December 2021.

**5) Management of Capital**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its resource properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

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 debt, acquire or dispose of assets or adjust the amount of cash and investments. There were no changes in the Company's approach to capital management during the year ended 31 December 2021. The Company is not subject to externally imposed capital requirements.

**6) Financial instruments and risk management****a) Financial instrument classification and measurement**

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

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
				<b>31 March 2022</b>
Investments	\$ 2,011	\$ -	\$ -	<b>2,011</b>

	Level 1	Level 2	Level 3	Total
				<b>31 December 2021</b>
Investments	\$ 1,328	\$ -	\$ -	<b>1,328</b>

The fair value of other financial instruments, including cash, accounts payable and accrued liabilities, promissory note payable, and amounts due to a related party, approximate their carrying values due to the relatively short-term maturity of these instruments. 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 period ended 31 March 2022.

## b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, investments, accounts payable and accrued liabilities, and amounts due to a related party. As at 31 March 2022, the carrying values of cash and investment are at fair value. Accounts payable and accrued liabilities and amounts due to a related party approximate their fair value due to their short-term nature.

The fair values of financial instruments are summarized as follows:

	31 March 2022		31 December 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets</b>				
Cash	\$ 1,540	\$ 1,540	\$ 84	\$ 84
Investments	2,011	2,011	1,328	1,328
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	418	418	565	565
Promissory note	-	-	700	700
Due to related party	-	-	1,032	1,032

## c) Credit risk

The Company's credit risk is primarily attributable to cash. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. 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. As at 31 March 2022, management considers the Company's exposure to credit risk is minimal.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021**

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**d) Liquidity risk**

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

As at 31 March 2022, the Company had a cash balance of \$1,540 (31 December 2021 – \$84) to settle current liabilities of \$418 (31 December 2021 – \$1,265). So far, the Company is not profitable and has had to rely on the issuance of equity securities for cash, primarily through private placements and from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

**e) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in the equity markets. The Company closely monitors market values to determine the most appropriate course of action.

**f) 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 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.

**g) Currency 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

## 7) Mineral properties

		Talapoosa
<b>Balance as at 31 December 2020</b>	\$	5,472
Licence, dues and fees		273
Geological and engineering		24
Other		9
<b>Balance as at 31 December 2021</b>		5,778
Licence, dues and fees		45
Geological and engineering		22
Other		2
<b>Balance as at 31 March 2022</b>	\$	5,847

## a) Talapoosa (Nevada, USA)

The Company owned a 100% interest in the Talapoosa gold property ("Talapoosa") located in Lyon County, Nevada. Talapoosa 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"). There are 6 additional leased fee land sections (the "Leased Fee Lands") and a portion of one additional fee land section owned by one of the Company's US subsidiaries. These claims are administered by the Bureau of Land Management ("BLM") and the aggregate annual payments to (i) the BLM and Lyon County, (ii) the holder of the Unpatented Leased Claims, and (iii) the holders of the Leased Fee Lands are approximately US\$199.

On 31 March 2015, the Company entered into an agreement 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. Under the Option, Timberline could acquire Talapoosa for US\$10 million in cash and share consideration. Timberline did not make an option payment due 31 March 2018 to Gunpoint and the option agreement was terminated and 100% interest of Talapoosa reverted back to the Company. Total consideration received by Gunpoint during the option term was US\$1.3 million and 3,000,000 common shares of Timberline. As at 31 March 2022, the market value of Gunpoint's 3,000,000 Timberline common shares was approximately \$1,012 (31 December 2021 – \$840).

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

The La Gitana Property ("La Gitana") is located in Oaxaca State and encompasses 494 hectares. On 4 June 2019, the Company signed a non-binding letter of intent (the "LOI") with Inomin Mines Inc. ("Inomin") to sell its 100% interest in La Gitana. The LOI provides for an exclusivity period to conduct due diligence and conclude a definitive agreement to finalize the purchase terms. Pursuant to the LOI, Inomin has an option to acquire La Gitana by making \$300 in cash payments and issuing 2,000,000 common shares as follows:

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021**

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The definitive agreement required a surface rights agreement with the Santa Maria Lachixonace Ejido community (“Ejido”). The Company was unable to reach an agreement with the Ejido and on 4 August 2020, Gunpoint agreed to sell La Gitana and another exploration property in Oaxaca state (“Pena Blanca”) to Inomin for \$25 and 1,000,000 common shares of Inomin.

On 21 March 2021, the TSX Venture Exchange approved the transaction and the Company received the consideration of a \$25.0 cash payment and 1,000,000 common shares of Inomin with a fair value of \$135. The fair value of cash and common shares received for the sale of \$160 were recorded in other income. As at 31 March 2022, the fair market value of the 1,000,000 Inomin shares was \$560 (31 December 2021 – \$135)

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 million dollars.

**c) Cerro Minas Project (Oaxaca State, Mexico)**

The Cerro Minas Property (“Cerro Minas”) is located 130 kilometers southwest of Oaxaca City and comprises 899 hectares.

On 16 October 2019, Gunpoint entered into an agreement with Megastar Development Corp. (“Megastar”) whereby Megastar was granted an option to acquire a 100% in Cerro Minas by making US\$100 in cash payments and issuing 800,000 Megastar common shares to Gunpoint over three years. Subsequently, Megastar changed its name to Madoro Metals Corp. (“Madoro”). The cash and share consideration are payable as follows:

- A cash payment of US\$10 and 100,000 common shares of Madoro on the 19 October 2019 (Received)
- A cash payment of US\$20 and 150,000 common shares of Madoro on or before 19 October 2020 (Received)
- A cash payment of US\$30 and 250,000 common shares of Madoro on or before 19 October 2021; and (Received)
- A cash payment of US\$40 and 300,000 common shares of Madoro on or before 19 October 2022.

Gunpoint retains a 1.5% net smelter royalty on Cerro Minas which Madoro has the option to purchase a 0.5% net smelter royalty for US\$1 million dollars. Madoro will be responsible for the property taxes and holding costs (including surface right agreement) to maintain Cerro Minas in good standing during the term of the agreement.

In October 2021, the Company received the consideration of a US\$30.0 cash payment and 250,000 common shares of Madoro with a fair value of \$18. The fair value of cash and common shares received for the option agreement of \$55 was recorded in other income. As at 31 March 2022, the fair market value of the Madoro common shares held by the Company was approximately \$35 (31 December 2021 – \$33).

**d) El Escorpion (Guatemala)**

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

If Chesapeake elects to purchase the existing 1.0% NSR, Chesapeake will be granted a 0.5% NSR royalty from Gunpoint. In addition, Gunpoint will issue 1,000,000 common shares to Chesapeake in the event a NI 43-101 measured and indicated resource estimate of 1,000,000 gold equivalent ounces is defined on El Escorpion.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

On 19 August 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 suspension of the permit. The prior concession owner has agreed to an extension of the final payment of US\$20 to purchase El Escorpion until the exploration suspension is lifted.

## 8) Investments

		Fair Value
<b>Fair Value as at 31 December 2020</b>	\$	2,026
Acquired		153
Unrealized (loss)		(851)
<b>Fair Value as at 31 December 2021</b>		<b>1,328</b>
Foreign exchange and other		172
Unrealized gain		511
<b>Fair Value as at 31 March 2022</b>	\$	<b>2,011</b>

Investments are designated as fair value through profit and loss and carried at market value. Unrealized gains and losses are classified as part of the calculation of net income or loss. During the period ended 31 March 2022, the unrealized gain recorded in investments is \$511 (31 March 2021 – loss of \$750).

## 9) Promissory note

In January 2022, the Company completed a debt settlement transaction by issuing 1,723,333 common shares to settle the promissory note and accrued interest totalling \$1,034 owed to a company controlled by the President of the Company; the gain on settlement is \$52. See Note 11(b).

	Principal	Interest	Total
Balance – Beginning of Period	\$ 700	\$ 334	\$ 1,034.0
Settlement	(700)	(334)	(1,034)
<b>Balance – End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 10) Due to related party

In January 2022, the Company completed a debt settlement transaction by issuing 1,720,000 common shares to settle due to Cheasapeak, the Company's parent, in the amount of \$1,032; the gain on settlement is \$51. See Note 11(b).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

**11) Share capital****a) Authorized:**

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.

**b) Issued or allotted and fully paid:**

As at 31 March 2022, there are 49,944,933 common shares issued and outstanding (31 December 2021 - 43,501,600 common shares).

On 11 January 2022, the Company obtained TSX-V approval and issued a combined total of 3,443,333 common shares to settle amount due to related party, Chesapeake, of \$1,032 and had settled its promissory note and accumulated interest owed to a company controlled by the President of the Company of \$1,034, as mentioned in Notes 9 and 10.

The Company completed a private placement of 3,000,000 units at a price of \$0.50 per unit for gross proceeds of \$1,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.75 until 28 February 2024.

**c) Summary of stock option activity**

The Company has a share 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. The options will be exercisable for 5 years from the grant date with vesting terms to be determined at the time by the Board of Directors.

Stock option activity during the period ended 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022		31 December 2021	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
<b>Balance – Beginning of Period</b>	<b>2,965,000</b>	<b>\$ 0.46</b>	1,500,000	\$ 0.25
Issued	-	-	1,815,000	0.60
Expired/cancelled	(300,000)	0.48	(350,000)	0.25
<b>Balance – End of Period</b>	<b>2,665,000</b>	<b>\$ 0.46</b>	2,965,000	\$ 0.46

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021**

Details of stock options outstanding as at 31 March 2022 and 31 December 2021 are as follows:

Expiry Date	Exercise Price	31 March 2022		31 December 2021	
		Number of Options	Number of Options Vested	Number of Options	Number of Options Vested
2 May 2023	\$ 0.25	1,050,000	787,500	1,150,000	1,087,500
23 November 2026	\$ 0.60	1,615,000	-	1,815,000	-
		<b>2,665,000</b>	<b>787,500</b>	2,965,000	1,087,500

As at 31 March 2022, the weighted average remaining contractual life of outstanding stock options is 2.64 years (31 December 2021 – 2.90 years) and a weighted average exercise price of \$0.46 (31 December 2021 – \$0.46).

During the year ended 31 December 2021, the Company granted stock options under the Company’s stock option plan to purchase 1,815,000 shares of the Company at a price of \$0.60 per share for a 5-year term expiring on 23 November 2026.

During the period ended 31 March 2022, a total of 300,000 (31 December 2021 - 350,000) stock options were cancelled.

**d) Warrants**

Warrant activity during the period ended 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022		31 December 2021	
	Number of warrants	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
<b>Balance – Beginning of Period</b>	-	\$ -	-	\$ -
Issued	1,500,000	0.75	-	-
Expired/cancelled	-	-	-	-
<b>Balance – End of Period</b>	<b>1,500,000</b>	<b>\$ 0.75</b>	-	\$ -

Details of warrants outstanding as at 31 March 2022 and 31 December 2021 are as follows:

Expiry Date	Exercise Price	31 March 2022		31 December 2021	
		Number of Options	Number of Options Vested	Number of Options	Number of Options Vested
28 February 2024	\$ 0.75	1,500,000	-	-	-
		<b>1,500,000</b>	-	-	-

As at 31 March 2022, the weighted average remaining contractual life of outstanding warrants is 1.92 years and a weighted average exercise price of \$0.75.

The fair value of the stock options granted was determined using the Black-Scholes option pricing model assuming volatility of 43%, risk-free rate of 1.49%, expected life of 2 years, and no expected dividends or forfeitures. Warrant



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

## e) Share-based payments

Share-based compensation expense is determined using Black-Scholes option pricing model.

On 23 November 2021, the Company granted 1,815,000 incentive stock options to directors and officers under its stock option plan, at an exercise price of \$0.60 per share for a term of five years. The options will vest and be exercisable on the basis of 25% annually commencing 23 November 2022, the first anniversary of the date of the grant. The fair value of the stock options granted was determined using the Black-Scholes option pricing model assuming volatility of 69%, risk-free rate of 1.57%, expected life of 5 years, and no expected dividends or forfeitures.

During the period ended 31 March 2022, the Company recognized total share-based compensation expense of \$74 (31 March 2021 – \$8).

## 12) Related party transactions

The following table summarizes the transactions of the Company's key management:

	31 March 2022	31 March 2021
Management fees	\$ 25	\$ 4
Stock-based compensation to officers and directors	\$ 74	\$ 8

During the period ended 31 March 2022, fees of \$25 (31 March 2021 – \$4) paid to the Company's key management are included in professional fees.

During the period ended 31 March 2022, the Company recognized total share-based compensation expense of \$74 (31 March 2021 – \$8) for stock options issued to employees, officers and directors of the Company issued in May 2018 and in November 2021.

The following table summarizes balances of the Company's key management:

	31 March 2022	31 December 2021
Amounts payable and accrued liabilities	\$ 323	\$ 174
Promissory note and interest (Note 9)	\$ -	\$ 1,034

As at 31 March 2022, \$22 (31 December 2021 – \$3) is owed to the CFO, \$299 (31 December 2021 – \$169) is owed to the President of the Company and \$2 (31 December 2021 – \$2) is owed to a company controlled by President of the Company. The balances are included in accounts payable and accrued liabilities.

In January 2022, the Company completed a debt settlement transaction by issuing 1,723,333 common shares to settle a promissory note and accrued interest owed to a company controlled by the President of the Company of \$1,034.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND 2021

## 13) Segment disclosures

	Canada	Mexico	USA	Other	Total
<b>31 March 2022</b>					
Non-current assets					
Investment in mineral properties	\$ 1,050	\$ -	\$ 4,797	\$ -	\$ 5,847
Investments	999	-	1,012	-	2,011
Reclamation deposits	-	-	221	-	221
<b>31 December 2021</b>					
Non-current assets					
Investment in mineral properties	\$ 1,044	\$ -	\$ 4,734	\$ -	\$ 5,778
Investments	488	-	840	-	1,328
Reclamation deposits	-	-	224	-	224