Chesapeake Gold Corp.

Consolidated Financial Statements
Years Ended December 31, 2016 and 2015
(amount expressed in thousands of Canadian dollars, except where indicated)

Deloitte.

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Independent Auditor's Report

To the Shareholders of
Chesapeake Gold Corp.

We have audited the accompanying consolidated financial statements of Chesapeake Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chesapeake Gold Corp. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
May 1, 2017
Vancouver, Canada

Chesapeake Gold Corp.

Consolidated Statements of Financial Position

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

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	6	$ 21,214.4	$ 24,402.5
Other receivables and prepaid expenses	5	389.2	434.9
Marketable securities	6,7	2,066.9	1,758.2
		23,670.5	26,595.6
Long term investment	6,7	810.0	490.4
Investment in mineral properties	8	71,129.1	67,659.8
Equipment	9	79.2	102.9
Reclamation bond	6	219.4	224.8
Total assets		$ 95,908.2	$ 95,073.5
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6,10	$ 1,060.0	$ 1,708.2
Convertible debenture	11	700.0	750.0
		1,760.0	2,458.2
Deferred income tax liabilities	14	6,523.0	6,256.3
Decommissioning obligation		285.9	291.9
Total liabilities		8,568.9	9,006.4
Shareholders’ equity			
Share capital	12	148,175.0	147,594.4
Reserves		24,016.9	19,162.8
Deficit		(86,894.3)	(82,704.0)
		85,297.6	84,053.2
Non-controlling interest (“NCI”)		2,041.7	2,013.9
Total shareholders’ equity		87,339.3	86,067.1
Total liabilities and shareholders’ equity		$ 95,908.2	$ 95,073.5

Nature of operations (note 1)
Subsequent events (note 18)

Approved by the Board of Directors

___________”P. Randy Reifel”_____________ Director _________”Greg Smith”__________ Director

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

Chesapeake Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended December 31,
(amount expressed in thousands of Canadian dollars, except where indicated)

	Notes	2016	2015
General and administration expenses			
Depreciation	9	$ (17.0)	$ (50.6)
Exploration		(432.9)	(647.5)
General and administrative		(773.2)	(1,034.8)
Management fees	15	(250.0)	(250.0)
Professional fees		(217.5)	(204.3)
Share-based compensation	13	(2,423.8)	(2,965.3)
		(4,114.4)	(5,152.5)
Other (expenses) income, net			
Finance income		406.5	479.5
Finance cost		(92.0)	(90.7)
Foreign exchange (loss) gain		(118.5)	685.5
Gain on debt and accounts payable settlement		34.9	-
Gain (loss) on disposal of marketable securities		49.6	(4.4)
Loss on disposal of equipment		(6.7)	-
Impairment of investments and marketable securities	7	(172.4)	(1,416.9)
Impairment of mineral properties	8	-	(959.4)
Net loss		(4,013.0)	(6,458.9)
Income tax (expense) recovery – future	14	(266.7)	125.3
Net loss after tax		(4,279.7)	(6,333.6)
Other comprehensive loss			
Items that may be reclassified subsequently to net earnings:			
Cumulative translation adjustment		1,927.6	171.7
Reclassification of impairment of losses	7	172.4	1,416.9
Reclassification of gain on disposal of investment	7	(49.6)	-
Unrealized gain (loss) on available for sale investments	7	743.6	(1,573.5)
Total comprehensive loss		(1,485.7)	(6,318.5)
Net loss attributable to			
Owners of the Company		(4,190.3)	(5,973.4)
Non-controlling interest		(89.4)	(360.2)
		(4,279.7)	(6,333.6)
Other comprehensive (loss) income attributable to			
Owners of the Company		$ 2,687.9	$ 15.8
Non-controlling interest		106.1	(0.7)
Total other comprehensive gain (loss)		2,794.0	15.1
Loss per share – basic and diluted		$ (0.10)	$ (0.13)
Weighted average shares outstanding (000's) – basic and diluted		44,452	44,416
Total shares issued and outstanding (000's)		44,517	44,416

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

Chesapeake Gold Corp.

Consolidated Statement of Changes in Shareholders' Equity

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

			Attributable to owners of the Company							
	Notes	Shares ('000)	Share capital	Share based compensation reserves	Foreign translation reserves	Investment revaluation reserves	Deficit	Total for owners	NCI	Total equity
Balance at January 1, 2016		44,416	$ 147,594.4	$ 18,734.0	$ (52.3)	$ 481.1	$ (82,704.0)	$ 84,053.2	$ 2,013.9	$ 86,067.1
Net loss for the period		-	-	-	-	-	(4,190.3)	(4,190.3)	(89.4)	(4,279.7)
Cumulative translation adjustment		-	-	-	1,927.6	-	-	1,927.6	-	1,927.6
Option exercised	12 & 13	101	580.6	(246.5)	-	-	-	334.1	-	334.1
Unrealized gain in available for sale investments	7	-	-	-	-	662.9	-	662.9	80.7	743.6
Impairment of investments	7	-	-	-	-	147.0	-	147.0	25.4	172.4
Gain on disposal of investments	7	-	-	-	-	(49.6)	-	(49.6)	-	(49.6)
Share-based compensation charges	13	-	-	2,412.7	-	-	-	2,412.7	11.1	2,423.8
Balance at December 31, 2016		44,517	$ 148,175.0	$ 20,900.2	$ 1,875.3	$ 1,241.4	$ (86,894.3)	$ 85,297.6	$ 2,041.7	$ 87,339.3
Balance at January 1, 2015		44,416	$ 147,594.4	$ 15,794.6	$ (224.0)	$ 637.0	$ (76,730.6)	$ 87,071.4	$ 2,348.9	$ 89,420.3
Net loss for the period		-	-	-	-	-	(5,973.4)	(5,973.4)	(360.2)	(6,333.6)
Cumulative translation adjustment		-	-	-	171.7	-	-	171.7	-	171.7
Unrealized loss in available for sale investments		-	-	-	-	(1,243.2)	-	(1,243.2)	(330.3)	(1,573.5)
Reclassify to net loss - impairment		-	-	-	-	1,087.3	-	1,087.3	329.6	1,416.9
Share-based compensation charges	13	-	-	2,939.4	-	-	-	2,939.4	25.9	2,965.3
Balance at December 31, 2015		44,416	$ 147,594.4	$ 18,734.0	$ (52.3)	$ 481.1	$ (82,704.0)	$ 84,053.2	$ 2,013.9	$ 86,067.1

Chesapeake Gold Corp.

Consolidated Statement of Cash Flow

For year ended December 31, 2016 and 2015

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

	Note	2016	2015
Cash used in operating activities			
Net loss for the year		$ (4,279.7)	$ (6,333.6)
Items not affecting cash			
Depreciation	9	17.0	50.6
Income tax expense (recovery) - future		266.7	(125.3)
Unrealized foreign exchange loss (gain)		118.5	(685.5)
Loss on disposal of equipment		6.7	-
Impairment of investments and marketable security	7	172.4	1,416.9
Impairment of mineral properties		-	959.4
Loss (gain) on disposal of marketable security		(49.6)	4.4
Share-based compensation charges	13	2,423.8	2,965.3
Gain on accounts payable settlement		(34.9)	-
		(1,359.1)	(1,747.8)
Change in non-cash operating working capital			
Decrease in accounts receivable and prepaid expense		45.7	111.3
Decrease in accounts payable and accruals		(394.8)	(126.9)
		(1,708.2)	(1,763.4)
Cash flows (used in) from financing activities			
Repayment of convertible debt	11	(50.0)	-
Proceeds from options exercised	12, 13	334.1	-
		284.1	-
Cash flows from (used in) investing activities			
Proceeds from option agreement, net		-	358.3
Proceeds from redemption of marketable securities		115.3	350.0
Mineral property expenditures		(1,708.1)	(4,161.9)
		(1,592.8)	(3,453.6)
Decrease in cash and cash equivalents		(3,016.9)	(5,217.0)
Foreign exchange impact on cash and cash equivalents		(171.2)	627.5
Cash and cash equivalents – beginning of year		24,402.5	28,992.0
Cash and cash equivalents – end of year		21,214.4	24,402.5
Cash		$ 262.6	$ 803.9
Short term investment		20,951.8	23,598.6
Cash and cash equivalents – end of year		$ 21,214.4	$ 24,402.5
Supplemental cash flow information – non cash investing activities			
Long term investment received on option agreement		$ -	$ 1,639.6
Mineral property expenditure – accrual reversal		(165.0)	165.0

1 Nature of operations

Chesapeake Gold Corp. ("Chesapeake" or the "Company") is a Canadian mining company focused on the exploration, development and recovery of precious metals. The Company is in the development stage and does not generate mining revenues from operations. The Company's operations are principally directed towards the development of the Company's Metates project in Durango State, Mexico and generating a pipeline of exploration projects in north western Mexico.

The Company is domiciled in Vancouver, Canada and its common shares are listed on the TSX Venture Exchange under the trading symbol "CKG.V". On April 8, 2015, the Company commenced trading on the OTCQX marketplace in the U.S., under the symbol "CHPGF". The Company's head office is at Suite 201 – 1512 Yew Street, Vancouver BC, V6K 3E4, Canada.

On November 26, 2010, the Company acquired an 81.93% interest in Gunpoint Exploration Ltd. ("Gunpoint") through an acquisition of Gunpoint's shares. As a result of this transaction the Company acquired control of Gunpoint. Subsequent to Gunpoint's financing in October 26, 2012, the revised ownership decreased from 82% to 74%.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a consolidated net loss of $4,279.7 for the year ended December 31, 2016, and an accumulated deficit of $86,894.3 as at December 31, 2016. To date, the Company has not generated operating revenue from its mineral properties. The ability of the Company to continue as a going concern is dependent upon obtaining additional equity and/or debt financing to complete the exploration and development of its mineral property interests and to commence profitable operations. Despite the general economic slow-down and significant uncertainty to key economic variables, the Company currently has sufficient resources to fund its exploration and development operations for more than a year.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies set out below were consistently applied to all periods presented.

The Board of Directors approved this set of financial statements on May 1, 2017.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Amendments, Interpretations, Revised and New Standards Adopted by the Company

The Company adopted the following amendments and annual improvements that became effective January 1, 2016:

- Amendments to IAS 1, *Presentation of Financial Statements*
- Amendments to IAS 16, *Property, Plant and Equipment*
- Amendments to IAS 28, *Investments in Associates*
- Amendments to IAS 38, *Intangible Assets*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Annual improvements to IFRS *2012-2014 Cycle ("AIP 2012-2014)*

The amendments and annual improvements had no material effect on the consolidated financial statements.

Future changes in accounting policies not yet adopted

IFRS 15 Revenues from Contracts with Customers ("IFRS 15")

This standard was issued on May 28, 2014 and will replace IAS 11 Construction Contracts ("IAS 11"), IAS 18 Revenue ("IAS 18"), and related interpretations. This new standard outlines a single comprehensive model to be used in recognizing revenue arising from contracts with customers, and contains more prescriptive guidance than in IAS 11, IAS 18 and related interpretations. The core principle in IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 15 at the effective date and does not expect this

pronouncement to have a significant impact on its consolidated financial statements as the Company does not generate significant revenue given the current stage of its mineral exploration projects. The Company will reassess the impact once significant revenue is generated.

IFRS 9 Financial instruments ("IFRS 9")

On July 25, 2014, the final publication of this standard was issued, and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance for the classification of financial assets based on the contractual cash flow characteristics of the financial assets and the Company's business model for managing financial assets. Changes in the fair value of an entity's own debt when it is classified as fair value through profit or loss ("FVTPL"), to the extent that they relate to changes in the entity's own credit risk, are recognized in other comprehensive income. The new standard also requires a single impairment model to be used, replacing the multiple impairment models in IAS 39. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 9 at the effective date and does not expect this pronouncement to have a significant impact on the consolidated financial statements given the extent of its current use of financial instruments.

IFRS 16, Leases ("IFRS 16) and revised IAS 17 ("IAS 17)

The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Company will adopt IFRS 16 at the effective date and does not expect this pronouncement to have a significant impact on the consolidated financial statements given the extent of its current use of leases.

3 Estimates, risks and uncertainties

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 followings 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. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
ii. Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions.
iii. Management is required to assess impairment in respect of intangible exploration and evaluation assets. 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 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 test was performed on those properties.
iv. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Accounting Estimates and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts 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 outcomes of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
ii. Management estimates the fair values of share based payment arrangements using the Black - Scholes option pricing model. Details of these can be found in Note 13.
iii. Management estimates the interest rate on a similar liability debenture that does not have an equity conversion option in the calculation of the fair value of the liability and equity portions of a compound instrument upon initial recognition.
iv. Management's assessment regarding the Company's ability to continue as a going concern.
v. Other significant accounting estimates include valuation of amounts receivable, accounts payable and accrued liabilities, useful life of equipment.

4 Significant accounting policies

Principles of consolidation

Control exists when the Company is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to offset those returns through its power over the subsidiary. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until control ceases. The following subsidiaries are consolidated: Minerales El Prado S.A. de C.V. (Mexico) and American Gold Capital Corporation (British Columbia). The accounts of American Gold Capital Corporation's wholly-owned subsidiaries, Metates Mining Enterprises LLC (Delaware) and its wholly-owned subsidiary American Gold Metates S. de R.L. de C.V. (Mexico) are also included in these consolidated financial statements. During 2010, the Company acquired an 81.93% interest in Gunpoint Exploration Ltd. (British Columbia) (formerly Christopher James Gold Corp.) ("Gunpoint") in exchange for transferring all of its interest in American Gold Capital US Inc. (Nevada) ("American Gold US") to Gunpoint. These consolidated financial statements include the accounts of American Gold US for 2010 and 2011. From March 26, 2010 onwards, they also include the accounts of Gunpoint as well as the recognition of an 18.07% non-controlling interest (increased to 25.54% in October 2012) in Gunpoint and its wholly owned subsidiaries stated above. All significant inter-company balances and transactions have been eliminated upon consolidation.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with IFRS 3, Business Combinations. The cost of an acquisition is measured as the sum of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. The excess of (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the acquisition date fair value of net assets acquired, is recorded as goodwill. Acquisition costs incurred are expensed.

Goodwill arising on an acquisition is recognized as an asset and initially measured at cost. Goodwill is not amortized; rather it is tested annually for impairment or at any time during the year that an indicator of impairment is identified.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, highly liquid short term deposits and guaranteed investment certificates with major financial institutions, and fixed income securities with a term to maturity of three months or less at the date of acquisition that are readily convertible into known amounts of cash.

Reclamation bond

The Company maintains cash deposits that are restricted to the funding of reclamation costs. For the Talapoosa property in Nevada State, USA, the Company has placed cash on deposit to fund future reclamation costs anticipated under a reclamation plan approved by the State of Nevada. Reclamation deposits are designated as loans and receivables, and are classified as a non-current asset.

Comprehensive income or loss

Comprehensive income or loss is the change in equity (net assets) of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except

those resulting from investments by owners and distributions to owners. In accordance with this standard, the Company reports comprehensive income or loss in its statement of operations and accumulated other comprehensive income or loss in its statement of changes in equity. The components of other comprehensive income or loss include unrealized gains and losses on financial assets classified as available-for-sale.

Foreign currency translation

The functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. Management has determined that the functional currencies of Minerales el Prado, its Mexican subsidiary is the Mexican Peso as this is the currency of the primary economic environment in which the Company operates. The Company and its other subsidiaries have the Canadian Dollar as their functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities in foreign currencies are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Exploration and evaluation assets

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments are applied against exploration and evaluation assets.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

Equipment

Equipment is recorded at cost. Amortization is provided at annual rates on a declining balance basis over the estimated useful lives of the equipment as follows:

Asset	Rate
Office, furniture and computer equipment	10%
Vehicles	25%
Exploration equipment	10%

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of operations.

Impairment

The Company reviews the carrying value of long-lived assets for impairment when circumstances indicate an asset's value may not be recoverable. The evaluation is based on the higher of the asset's fair value less costs to sell and its value in use, which is present value of future cash flows expected to be derived from the asset in its current state. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds its recoverable amount. Impairment loss is recorded in the statement of loss.

Decommissioning obligation

The Company recognizes statutory, contractual and other legal obligations related to the retirement of tangible long-lived assets. These obligations are initially measured at fair value and subsequently adjusted for the accretion of any discount and changes in the underlying future cash flows and discount rate. The asset retirement cost is capitalized to the related asset and amortized to operations over time.

The Company recognizes the fair value of the liability for a decommissioning obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to retire the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties.

Share-based compensation

The Company's share option plan provides for the granting of stock options to directors, officers, consultants and employees, which allow them to purchase common shares of the Company. The fair value of all stock based awards is estimated using the Black Scholes option pricing model at the grant date and expensed to operations over each award's vesting period. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in the share based payment reserve is recorded as an increase in issued capital. In the event that the options expire or are cancelled, previously recognized compensation expense associated with such stock option is not reversed.

When the Company issues Units that are comprised of a combination of common shares and warrants, the value is assigned to common shares and warrants based on their relative fair values. The fair value of the warrants is estimated using the Black Sholes option pricing model at the issuance dates.

Income taxes

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

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

Recognition of interest income

Interest from cash and cash equivalents and fixed income marketable securities are recorded on an accrual basis when collection is reasonably assured.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. As the Company has recorded a net loss for each of the periods presented, basic and diluted net loss per share are the same as the exercise of stock options or share purchase warrants are anti-dilutive.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

Financial Assets
Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets are classified as FVTPL if they are acquired for the purpose of selling in the near term. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortization process. The Company has classified its amounts receivable, and reclamation deposits as loans and receivables. Given the relatively short term nature of these instruments, the carrying value approximate fair value.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortization process. As at December 31, 2016 and December 31, 2015, the Company has not classified any financial assets as held-to-maturity.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income (loss) until the investment is derecognised or determined to be impaired as a result of a significant or prolonged decline in fair value, at which time the cumulative gain or loss previously recorded in equity is recognised in comprehensive income (loss). The Company has classified its investment as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities
Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities, interest payable, and convertible debentures as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through net loss. As at December 31, 2016 and December 31, 2015, the Company has no financial liabilities classified as FVTPL.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income (loss).

Investment in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in associate are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the profit or loss of the associate, less any impairment in the value of the investment or dilution of the shareholding in the investment.

5 Other receivables and prepaid expenses

	December 31, 2016	December 31, 2015
Other receivables	$ 221.8	$ 255.2
Prepaid expenses	167.4	179.7
	$ 389.2	$ 434.9

6 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2016		December 31, 2015	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Fair value through profit and loss ("FVTPL")				
Cash and cash equivalents	21,214.4	21,214.4	24,402.5	24,402.5
Available-for-sale				
Marketable securities	2,066.9	2,066.9	1,758.2	1,758.2
Long term investment	810.0	810.0	490.4	490.4
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	1,060.0	1,060.0	1,708.2	1,708.2

Fair value measurements

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total December 31, 2016
Cash and cash equivalents	$ 21,214.4	$ -	$ -	$ 21,214.4
Marketable securities	2,066.9	-	-	2,066.9
Long term investment	810.0	-	-	810.0

	Level 1	Level 2	Level 3	Total December 31, 2015
Cash and cash equivalents	$ 24,402.5	$ -	$ -	$ 24,402.5
Marketable securities	1,758.2	-	-	1,758.2
Long term investment	490.4	-	-	490.4

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the year ended December 31, 2016.

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 16. The accounts payable is due within the current operating period.

Market Risk

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. The Company closely monitors market values to determine the most appropriate course of action.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, of varying maturities. A 1% change in market interest rates would result in no significant change in value of cash and cash equivalents or fixed income securities. The risk that the Company will realize a loss as a result of a decline in the fair value of these assets is limited as they are generally held to maturity.

Foreign Exchange 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.

7 Long-term investments and marketable securities

	December 31, 2015 Fair value	Proceeds received from redemption	Realized and unrealized gain	December 31, 2016 Fair value
Marketable securities	$ 1,758.2	$ (115.3)	$ 424.0	$ 2,066.9
Long-term investment	$ 490.4	-	$ 319.6	$ 810.0

	December 31, 2014 Fair value	Acquired and reclass	Proceeds received from redemption	FX impact	Realized and unrealized loss	December 31, 2015 Fair value
Marketable securities	$ 2,475.0	$ (101.6)	$ (350.0)	$ -	$ (265.2)	$ 1,758.2
Long-term investment	-	$ 1,741.2	$ -	$ 57.5	$ (1,308.3)	$ 490.4

Long-term investments and marketable securities are designated as available-for-sale and valued at fair value. Unrealized gains and losses due to period-end revaluation, other than those determined to be significant or prolonged losses, are recorded as other comprehensive income or loss.

8 Mineral properties

	Metates (a)	Regional	Escorpion (b)	Talapoosa (c)	Total
January 1, 2015	$ 56,887.6	$ 249.1	$ 244.1	$ 8,620.4	$ 66,118.5
Concession acquisition	102.7	98.7	60.8	-	262.2
Disposal	-	-	-	(1,997.9)	(1,997.9)
FX effects on translation from measurement to reporting currency	171.7	-	-	-	171.7
Assays	67.3	0.5	-	-	67.8
Camp & supplies	230.5	75.6	-	-	306.1
Environmental		-	-	4.5	4.5
Geological & engineering	3,211.3	344.2	-	-	3,555.5
Travel	37.7	74.0	4.5	1.0	117.2
License, dues and fees	-	-	-	13.4	13.4
Other	-	-	1.1	(0.9)	0.2
Impairment	-	(842.1)	-	-	(959.4)
December 31, 2015	$ 60,708.8	$ -	$ 310.5	$ 6,640.5	$ 67,659.8
Disposal	-	-	-	-	-
FX effects on translation from measurement to reporting currency	1,927.6	-	-	-	1,927.6
Assays	66.1	0.1	-	-	66.2

Concession acquisition	52.5	94.1	0.5	-	147.1
Camp & supplies	259.0	66.6	-	-	325.6
Geological & engineering	310.1	331.0	-	-	641.1
License, dues and fees	-	-	2.1	1.1	3.2
Option agreement payment (b)	-	-	238.3	-	238.3
Travel	46.7	66.3	7.2	-	120.2
December 31, 2016	$ 63,370.8	$ 558.1	$ 558.6	$ 6,641.6	$ 71,129.1

a) **Metates Project**

On May 9, 2014, the Company acquired the 1.5% net smelter return royalty ("Metates NSR") on the Metates project. The royalty was purchased pursuant to a right of first refusal held by the Company's subsidiary, American Gold Metates S. de R.C. de C.V. ("AGM"), for a purchase price of $9,859.5 (US$9,000.0).

On August 9, 2014, the Company entered into an agreement (the "Agreement") whereby the Company has assigned its interest in the Metates NSR to Silver Wheaton Corp ("SLW") for US$9,000.0. As part of the Agreement, the Company will have the right at any time for a period of five years to repurchase two-thirds of the Metates NSR (that being a 1% net smelter returns royalty) from SLW for US$9,000.0 with SLW continuing to hold a 0.5% interest in the Metates NSR. Also as part of the transaction, Chesapeake through AGM, will hold a right of first refusal to purchase the Metates NSR in the event SLW elects to sell the Metates NSR to a third party, on the same terms and conditions as the third party' offer. The Agreement also contains customary terms and conditions for a royalty transaction. The Company has also entered into a right of first refusal agreement with SLW whereby the Company has granted SLW a right of first refusal on any future silver stream or royalty for which the Company receives and accepts an offer to purchase, on the same terms and conditions as the third party' offer.

b) **EI Escorpion**

On June 14, 2013, the Company concluded an agreement in respect of the El Escorpion project ("El Escorpion") with Gunpoint, whereby Gunpoint acquired a 100% interest in the El Escorpion by issuing and granting the following to Chesapeake.

- 0.5 million Gunpoint common shares and 0.5 million Gunpoint warrants exercisable at $1.50 per share for a term of five years
- A 1.5% NSR royalty in the event Chesapeake purchases the existing 1.0% net smelter return ("NSR") royalty
- 1.0 million Gunpoint common shares in the event a NI 43-101 measured and indicated resource estimate of 1.0 million gold equivalent ounces is achieved on the Escorpion property

On January 28, 2011, Hunt Exploration S.A. (a subsidiary of Gunpoint) entered into an agreement with a private owner whereby Hunt would earn a 100% interest in El Escorpion by making cash payments totalling US$351.0 over five years. The payment schedule was amended on March 23, 2015 per the table below. In August 2015, the Ministry of Energy and Mines granted title to the concession. For the year ended December 31, 2016, the Company has spent $248.1 (2015 – $66.4) in property payments and administrative expenses.

Carrying amount (US$)	December 31, 2016
Upon signing the agreement (paid)	$ 16.0
On January 28, 2012 (paid)	25.0
On January 28, 2013 (paid)	30.0
On January 28, 2014 (paid)	35.0
On March 23, 2015 (paid)	25.0
On July 28, 2015 (paid)	20.0
On January 28, 2016 (see amendment below)	200.0
	$ 351.0

On May 20, 2016, the Company amended the final US$200.0 due January 28, 2016 per the schedule below:

Carrying amount (US$)	December 31, 2016
On or before signing the amendment (paid)	$ 60.0
On May 31, 2016 (paid)	70.0
On September 1, 2016 (paid)	35.0
On December 15, 2016 (paid)	15.0
On December 15, 2016 (payment outstanding)	20.0
	$ 200.0

El Escorpion is subject to a 1.0% NSR royalty, which can be purchased for US$585.0 at any time.

On August 19, 2015, the Ministry of Energy and Mines granted title for the El Escorpion concession. 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 property vendor has agreed to an extension of the final payment of $20,000 to purchase El Escorpion until the exploration suspension is lifted.

c) **Talapoosa**

The Company owns a 100% interest in the Talapoosa property which consists of 535 unpatented lode mining claims, including 509 claims owned by the Company and 26 claims subject to a lease agreement with a third party (the "Unpatented Leased Land"). These claims are administered by the Bureau of Land Management ("BLM") and the annual maintenance fees for these claims payable to the BLM are approximately US$75.0 and the annual lease payment for the Unpatented Lease land is US$35.0. In addition, there are certain payments required for the land owned subject to leases with private land owners (the "Fee Leased Land"). The current annual payments for Fee Leased Land are approximately US$42.4.

On March 31, 2015, the Company closed a transaction ("Option 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 the Talapoosa gold project located in Nevada. In consideration for the Option, Timberline has paid US$300.0 thousand and issued 2.0 million shares to American Gold. The vesting schedule of Timberline's shares issued is set out below. The market value of Timberline share on the date of granting was $1,639.6.

Vesting date (date initial securities are released from escrow)	Timberline Common Shares ('000)
September 12, 2015 (vested)	500
March 12, 2016 (vested)	500
September 12, 2016 (vested)	500
March 12, 2017 (vested and received subsequent to December 31, 2016)	500
	2,000

Timberline has until September 12, 2017 to exercise the Option to acquire a 100% interest in Talapoosa (the "Option Period"). Timberline can exercise the Option by making a US$10.0 million cash payment to American Gold. For a period of five years after Timberline exercises the Option, Timberline would be required to pay American Gold an additional US$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averages US$1,600 per ounce or greater for a period of ninety consecutive trading days. Timberline plans to complete a feasibility study on Talapoosa during the option period. American Gold retains a 1% net smelter royalty on Talapoosa which Timberline can purchase for US$3.0 million. During the 30 months option period, Timberline assumes responsibility for the payment of all property holding costs.

On October 20, 2016, the Option Agreement with Timberline was amended. The Company agreed to extend the option ("Extended Option") by approximately 18 months from September 12, 2017 to March 31, 2019 ("Amended Option Period"). In consideration for the extension, Timberline will pay an additional US$1.0 million and issue 3.5 million common shares to the Company. In addition, Timberline's repurchase option for Gunpoint's 1% net smelter return royalty ("NSR") on Talapoosa has been eliminated.

The amended terms of the Option Agreement are as follows:

- Payment of US$1.0 million and one million common shares of Timberline by March 31, 2017 (Received).
- Payment of US$2.0 million and one million common shares of Timberline by March 31, 2018.
- A final payment of US$8.0 million and 1.5 million common shares of Timberline by March 31, 2019.
- Timberline commits to undertakes cumulative project expenditures of a minimum of US$7.5 million by December 31, 2018.
- Elimination of Timberline's US$3.0 million purchase option of the 1% NSR retained by the Company upon Timberline's acquisition of Talapoosa.
- The Contingent payment based on escalating gold prices has been amended such that if gold prices average greater than or equal to US$1,600 over any 90-day period ("Trigger Event") within a 5-year period commencing on the option exercise closing date, Timberline will pay the Company an additional US$10.0 million of which a minimum of US$5.0 million will be payable within six months of the Trigger Event, and the remaining US$5.0 million payable within twelve months of the Trigger Event, with both payments payable in cash or, at Timberline's discretion, up to 50% in shares.

Upon exercise of the Extended Option, Timberline will have paid US$11.3 million and issued 5.5 million shares to the Company to acquire a 100% interest in Talapoosa. The Company will retain a 1% NSR in Talapoosa which is not subject to a buyback option.

As of December 31, 2016, American Gold owns 8% of the outstanding shares issued in Timberline. At December 31, 2016, the market value of the 2.0 million common shares of Timberline owned by American Gold was $760.0 (December 31, 2015 - $457.0).

d) **La Cecilia**

In 2010, the Company acquired La Cecilia from Chesapeake Gold Corp. La Cecilia is located in Sonora State Mexico and comprises three mineral concessions totalling 794 hectares. The property is currently recorded at $nil (2015-$nil) given it was subject to impairment in the previous years.

9 Equipment

	Cost December 31, 2014	Disposals	Cost December 31, 2015	Disposals	Cost December 31, 2016
Office and furniture	$ 35.5	$ -	$ 35.5	$ (35.5)	$ -
Vehicles	306.9	-	306.9	-	306.9
Exploration equipment	178.1	-	178.1	(62.8)	115.3
	$ 520.5	$ -	$ 520.5	$ (98.3)	$ 422.2

	Accumulated Depreciation December 31, 2014	Depreciation, & amortization	Accumulated Depreciation December 31, 2015	Disposal	Depreciation, & amortization	Accumulated Depreciation December 31, 2016
Office and furniture	$ (26.8)	$ (4.8)	$ (31.6)	$ 32.8	$ (1.2)	$ -
Vehicles	(246.3)	(30.3)	(276.6)	-	(11.9)	(288.5)
Exploration equipment	(93.9)	(15.5)	(109.4)	58.8	(3.9)	(54.5)
	$ (367.0)	$ (50.6)	$ (417.6)	$ 91.6	$ (17.0)	$ (343.0)

Carrying amount	December 31, 2016	December 31, 2015
Office and furniture	$ -	$ 3.9
Vehicles	18.4	30.3
Exploration equipment	60.8	68.7
	$ 79.2	$ 102.9

10 Accounts payable and accrued liabilities

	December 31, 2016	December 31, 2015
Trade payables	$ 1,060.0	$ 1,644.7
Accrued liabilities	-	63.5
	$ 1,060.0	$ 1,708.2

11 Convertible debenture

On March 15, 2012, Gunpoint issued convertible debentures ("First Debenture") of $750.0. The First Debenture carries interest at the rate of 5% per annum, payable on the earlier of conversion or maturity. The First Debenture were unsecured. Each First Debenture was convertible at the holder's option any time prior to or on maturity into fully paid units ("First Units") of Gunpoint at a conversion price of $0.80 per First Unit. Each First Unit consisted of one fully paid common share in the capital of Gunpoint and one-half of one share purchase warrant ("First Warrant"). Each whole First Warrant was exercisable until March 14, 2014 to purchase an additional common share at $1.00. On March 14, 2014, Gunpoint and the holders of the First Debenture extended the term of the First Debenture by 12 months to March 16, 2015. The First Debenture has reached maturity and is currently due on demand.

On October 14, 2016, Gunpoint repaid the principal of $50.0 (in cash) to two of the three First Debenture holders. All interest accrued related to the principals was waived as part of the settlement. As at December 31, 2016, the remaining outstanding First Debenture principal is $700.0, (plus related accrued interest) is indebted to the President of the Company.

Interest accrued for the year ended December 31, 2016 was $37.0 (December 31, 2015 - $37.5). A gain on debt settlement of $11.5 related to reversal of accrued interest on two repaid First Debentures (principal - $50.0) was recorded for the year ended December 31, 2016

(December 31, 2015 - $nil). As at December 31, 2016, the total accrued interest related to the remaining outstanding First Debenture was $167.7. (December 31, 2015 - $142.2) and is included in the account payables and accrued liabilities.

12 Share capital

a) The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of Series 1 Class A restricted voting shares without par value, convertible and redeemable at $0.01 per share and an unlimited number of preferred shares without par value.

b) As at December 31, 2016, 375,000 (December 31, 2015 – 375,000) of the issued and outstanding common shares were held in escrow, subject to release upon approval of regulatory authorities.

c) During the year ended December 31, 2016, three option holders exercised 101,250 stock options at an exercise price of $3.30 for total proceeds of $334.1.

13 Share based compensation

The Company has a share purchase option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of common shares pursuant to the grant of options to purchase shares. The option plan is administered by the Board of Directors. Options may be granted on such terms as the Board may determine within the limitations of the option plan and subject to the rules and policies of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 8,500,000 common shares. The exercise price for options granted may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option.

The Company also has a Stock Bonus Plan ("Bonus Plan"). The Bonus Plan enables bonus common shares to be issued to any full-time or part-time employee or independent contractor (whether or not a director) of the Company or any of its subsidiaries who has rendered services that contributed to the success of the Company or any of its subsidiaries. Grants of bonus common shares will be on terms that the Compensation Committee of the Board may determine, within the limitations of the Bonus Plan and subject to the rules and policies of applicable regulatory authorities. The maximum number of common shares issuable under the Bonus Plan is 200,000 common shares, representing approximately 0.52% of the current issued and outstanding common shares. In addition, in any calendar year, the number of bonus common shares issuable to insiders of the Company, also taking options into account, is limited to 0.5% of the total number of common shares which were issued and outstanding at the end of the preceding calendar year, 10% of the issued and outstanding common shares, and no more than 5% of the issued and outstanding shares to any one person in a 12-month period.

	December 31, 2016		December 31, 2015	
	Number of shares (000's)	**Weighted average exercise price**	**Number of shares (000's)**	**Weighted average exercise price**
Outstanding – beginning of year	3,598	$ 5.28	4,408	$ 5.98
Granted	2,235	2.15	-	-
Exercised	(101)	3.30	-	-
Forfeited	(43)	4.52	(810)	9.1
Outstanding – end of year	5,689	$ 4.09	3,598	$ 5.28

On March 21, 2016, the Company granted incentive options to directors, officers, employees and consultant to purchase 2,235,000 common shares of the Company at an exercise price of $2.15 per share for a term of 5 years, expiring March 21, 2021. The options will vest and exercisable on the basis of 25% annually commencing March 21, 2017, the first anniversary of the date of the option grant. The

weighted average fair value of stock options granted was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 5-year, volatility of 58%, annual rate of dividends of 0%, and a risk-free rate of 0.66%.

The following table discloses the number of options and vested options outstanding as at December 31, 2016:

Number of options ('000s)	Number of options vested ('000s)	Exercise price	Expiry Date
2,514	1,308	$3.30	29-Aug-24
2,235	-	2.15	21-Mar-21
940	940	10.75	05-Feb-17
5,689	2,248	4.09	

During the year ended December 31, 2016, the Company recognized $2,423.8 (2015 - $2,965.3) as share-based compensation expense, of which $2,379.7 (2015 - $2,862.6) relates to the Company and $44.1 (2015 - $102.7) relates to Gunpoint, respectively.

14 Income taxes

The income taxes shown in the consolidated statements of earnings differ from the amounts obtained by applying statutory rates to the earnings before provision for income taxes due to the following:

	Year ended December 31,	
	2016	**2015**
Loss before income taxes	$ (4,013.0)	$ (6,458.6)
Income tax recovery at statutory rates (26%)	1,043.4	1,679.2
Difference in foreign tax rates	16.3	219.3
Non-deductible expenses	(1,275.8)	(2,084.2)
Change in unrecognized deferred tax asset	789.4	(32.9)
Provision to return adjustments	-	633.9
Tax losses expired	(532.0)	(468.7)
Foreign exchange and other	(308.0)	178.7
Income tax (expense) recovery	$ (266.7)	$ 125.3

The components of deferred income taxes are as follows:

	2016	**2015**
Deferred tax asset		
Operating loss carry forward	$ 6,225.8	$ 7,777.1
Other	68.0	50.8
	$ 6,293.8	$ 7,827.9
Deferred tax liability		
Mineral properties	(11,870.0)	(13,260.8)
Other	(946.8)	(823.4)
	$ (12,816.8)	$ (14,084.2)
Net deferred tax liability	$ (6,523.0)	$ (6,256.3)

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributed to the following:

	2016	2015
Operating loss carry forwards	$ 15,929.2	$ 15,868.7
Equipment	260.5	254.9
Mineral Properties	426.9	1,085.0*
Net Capital loss carry forwards	48.8	2,792.0
Marketable securities	1,997.3	2,333.0
Other	259.2	18.6
	18,921.9	22,352.2

*During the year ended December 31, 2016, the Company identified that the deductible temporary differences for mineral properties disclosed in Note 14 of the 2015 consolidated financial statements should have been recorded as $1,085.0 instead of $4,629.3. This error has been corrected in the comparative note disclosure above. The correction had no effect on the reported assets, liabilities, net loss or shareholder's equity in either 2015 or 2016.

15 Related party transactions

The Company's related parties include its subsidiaries, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The remuneration of the Company's directors and other key management personnel during the year ended December 31, are as follows:

	2016	2015
Short-term employee benefits	$ 556.0	$ 733.7
Share-based compensation	1,803.6	2,005.6

Short-term employee benefits include salaries payable within twelve months of the balance sheet date and other annual employee benefits.

The Company incurred the following expenses with related parties during year ended December 31, are as follows:

	2016	2015
Consulting	$ 306.0	$ 483.7
Legal	20.7	14.3
Management fees	250.0	250.0
Rental	24.0	24.0

Legal fees were paid or accrued to a legal firm of which one of the partners has been the Corporate Secretary of the Company during 2016 and 2015. Management and rental fees were paid or accrued to a Company owned by an officer of the Company. Consulting fees were paid or accrued to a director of the Company. These expenses were measured at the exchange amounts agreed upon by the parties.

As at December 31, 2016 the Company had amounts payable of $313.1 (December 31, 2015 - $444.9) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

16 Capital management

The capital of the Company consists of items included in shareholder's equity. The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in shareholders' equity (excluding NCI), net of cash and cash equivalents as follows:

	December 31, 2016	December 31, 2015
Total equity for owners	$ 85,239.9	$ 84,053.2
Less: cash and cash equivalents	(21,214.4)	(24,402.5)
	$ 64,024.5	$ 59,650.7

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at December 31, 2016, the Company expects its capital resources will support its normal operating requirements, planned development and exploration of its mineral properties for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied.

17 Segment disclosures

The Company operates in one operating segment (Note 1) in three countries. Details of the investments in mineral properties are disclosed in Note 8. The Company's assets by country are:

December 31, 2016	Canada	Mexico	USA	Total
Cash and cash equivalent	$ 21,133.5	$ 35.7	$ 45.2	$ 21,214.4
Accounts receivable and prepaid expense	235.8	153.4	-	389.2
Marketable securities	2,066.9	-	-	2,066.9
	23,436.2	189.1	45.2	23,670.5
Long term investment	50.0	-	760.0	810.0
Investment in mineral properties	-	64,487.5	6,641.6	71,129.1
Other long term assets	33.6	-	185.8	219.4
Fixed assets	-	79.2	-	79.2
Total assets	$ 23,519.8	$ 64,755.8	$ 7,632.6	$ 95,908.2
Segment loss in 2016	$ 3,654.6	$ 328.6	$ 296.5	$ 4,279.7

December 31, 2015	Canada	Mexico	USA	Total
Cash and cash equivalent	$ 24,363.1	$ 39.4	$ -	$ 24,402.5
Accounts receivable and prepaid expense	202.2	232.7	-	434.9
Marketable securities	1,758.3	-	-	1,758.3
	26,323.6	272.1	-	26,595.7
Long term investment	490.3	-	-	490.3
Investment in mineral properties	-	61,019.3	6,640.5	67,659.8
Other long term assets	224.8	-	-	224.8
Fixed assets	7.7	95.2	-	102.9
Total assets	$ 27,046.4	$ 61,386.6	$ 6,640.5	$ 95,073.5
Segment loss in 2015	$ 3,496.1	$ 1,410.7	$ 1,426.8	$ 6,333.6

18 Subsequent events

a) On January 31, 2017, the Company entered into an agreement ("Option Agreement") with Riverside Resources Inc. (TSX-V: RRI) whereby Riverside has been granted an option to acquire a 100% interest in Gunpoint's La Cecilia-Margarita gold project ("La Cecilia") located in Sonora State, Mexico. La Cecilia comprises three mineral concessions totalling 794 hectares

Pursuant to the Option Agreement and subject to TSX Venture Exchange approval, Riverside has the right to acquire a 100% interest in La Cecilia by making $250.0 in cash payments and issuing 1.0 million Riverside common shares to the Company per following schedule:

- A payment of $10.0 upon execution of the Option Agreement (Received);
- A $15.0 cash payment and issuance of 100,000 common shares of Riverside concurrent with the execution of registerable agreement in Mexico ("the Effective Date")
- A $15.0 cash payment and issuance of 200,000 common shares of Riverside on or before the first anniversary of the Effective Date;
- A $75.0 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; and
- A $125.0 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of Effective Date.

Riverside will be responsible for the property taxes and holding costs to maintain La Cecilia in good standing during the term of the agreement. As at December 31, 2016 the La Cecilia property is currently recorded at $nil value due to a previous impairment. The consideration received from Riverside will be recognised as income.

b) On March 31, 2017, in accordance with the amended option agreement (note 8c) with Timberline on Talapoosa, the Company received the US$1.0 million in cash and 1.0 million common shares of Timberline.