

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

Third quarter financial statements for the nine months period ended September 30, 2021 and 2020 have not been reviewed by the auditors of Chesapeake Gold Corp.

CHESAPEAKE GOLD CORP.

“Erick Underwood”

ERICK UNDERWOOD

Chief Financial Officer



Chesapeake Gold Corp.

Condensed Consolidated Interim Financial Statements
Nine Months Ended September 30, 2021 (unaudited)
(amounts expressed in thousands of Canadian dollars, except where indicated)

Chesapeake Gold Corp.

Consolidated Statements of Financial Position

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

	Note	September 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	5	\$ 31,736.0	\$ 34,247.8
Other receivables and prepaid expenses		577.9	528.6
Marketable securities	5,6	1,868.4	1,546.7
		34,182.3	36,323.1
Long-term investments	5,6	954.7	2,026.4
Investment in mineral properties	7	92,000.3	89,585.9
Right-of-use asset		-	2.9
Equipment		31.0	38.1
Intangible asset	8	45,128.1	-
Deferred charges	8	-	91.7
Reclamation bonds		257.1	257.0
Total assets		\$ 172,553.5	\$ 128,325.1
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 889.2	\$ 1,067.6
Lease liability	5	-	3.5
Promissory note	5,9	700.0	700.0
		1,589.2	1,771.1
Deferred income tax liabilities		6,786.4	6,786.4
Decommissioning obligation		303.0	302.9
Total liabilities		8,678.6	8,860.4
Shareholders' equity			
Share capital	10	234,907.4	186,033.2
Shares to be issued	10	-	1,148.0
Reserves		27,864.9	25,974.2
Deficit		(100,568.5)	(95,675.1)
		162,203.8	117,480.3
Non-controlling interest ("NCI")		1,671.1	1,984.4
Total shareholders' equity		163,874.9	119,464.7
Total liabilities and shareholders' equity		\$ 172,553.5	\$ 128,325.1

Nature of operations (note 1)

Segmented disclosures (note 14)

Approved by the Board of Directors

"P. Randy Reifel"

Director

"Christian Falck"

Director

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

Chesapeake Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss

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

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
General and administration expenses					
Depreciation		\$ (3.2)	\$ (3.8)	\$ (11.3)	\$ (16.9)
Exploration		(102.0)	(69.4)	(236.9)	(176.0)
General and administrative	12	(342.3)	(127.0)	(1,261.7)	(385.1)
Management fees	12	(62.5)	(50.0)	(187.5)	(150.0)
Professional fees	12	(165.1)	(80.2)	(419.8)	(174.0)
Share-based compensation	11	(840.9)	(152.1)	(2,503.6)	(361.9)
		(1,516.0)	(482.5)	(4,620.8)	(1,263.9)
Other income (expense), net					
Finance income		46.3	87.7	178.4	279.8
Finance cost		(10.0)	(31.7)	(34.4)	(96.5)
Foreign exchange gain (loss)		(79.8)	(7.4)	(125.0)	(81.0)
Unrealized gain on marketable securities and investments	6	(265.7)	1,048.5	(768.9)	1,386.9
Other income		(2.6)	-	160.1	185.8
Net income (loss)		(1,827.8)	614.6	(5,210.6)	411.1
Other comprehensive income					
Items that may be reclassified subsequently to net earnings:					
Cumulative translation adjustment		21.1	(156.9)	268.2	1,169.6
Total comprehensive income (loss)		(1,806.7)	457.7	(4,942.4)	1,580.7
Net income (loss) attributable to					
Owners of the Company		(1,704.1)	411.3	(4,893.4)	126.9
Non-controlling interest		(123.7)	203.3	(317.2)	284.2
		(1,827.8)	614.6	(5,210.6)	411.1
Other comprehensive income attributable to					
Owners of the Company		21.1	(156.9)	268.2	1,169.6
Non-controlling interest		-	-	-	-
Total other comprehensive income		\$ 21.1	\$ (156.9)	\$ 268.2	\$ 1,169.6
Loss per share – basic and diluted		\$ (0.03)	\$ 0.01	\$ (0.08)	\$ 0.01
Weighted average shares outstanding (000's) – basic and diluted		67,367	53,308	66,435	51,958
Total shares issued and outstanding (000's)		67,367	55,407	67,367	55,407

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

Chesapeake Gold Corp.

Consolidated Statement of Changes in Equity

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

		Attributable to Shareholders of the Company								
	Note	Shares (‘000)	Share capital	Share-based compensation reserves	Foreign translation reserves	Shares to be issued	Deficit	Total for owners	NCI	Total equity
Balance at January 1, 2021		56,307	\$ 186,033.2	\$ 23,915.7	\$ 2,058.5	\$ 1,148.0	\$ (95,675.1)	\$ 117,480.3	\$ 1,984.4	\$ 119,464.7
Net loss for the period		-	-	-	-	-	(4,893.4)	(4,893.4)	(317.2)	(5,210.6)
Management fees – bonus shares	10(b)	200.0	1,148.0	-	-	(1,148.0)	-	-	-	-
Cumulative translation adjustment		-	-	-	268.2	-	-	268.2	-	268.2
Shares issued (in escrow)	8	10,000	45,000.0	-	-	-	-	45,000.0	-	45,000.0
Options exercised	11	860.0	2,726.2	(877.2)	-	-	-	1,849.0	-	1,849.0
Share-based compensation charges	11	-	-	2,499.7	-	-	-	2,499.7	3.9	2,503.6
Balance at September 30, 2021		67,367.0	\$ 234,907.4	\$ 25,538.2	\$ 2,326.7	\$ -	\$ (100,568.5)	\$ 162,203.8	\$ 1,671.1	\$ 163,874.9
Balance at January 1, 2020		51,242	\$ 162,682.9	\$ 24,503.7	\$ 1,423.5	\$ -	\$ (93,792.0)	\$ 94,818.1	\$ 1,593.8	\$ 96,411.9
Net loss for the period		-	-	-	-	-	126.9	126.9	284.2	411.1
Cumulative translation adjustment		-	-	-	1,169.6	-	-	1,169.6	-	1,169.6
Private placement		4,000	20,000.0	-	-	-	-	20,000.0	-	20,000.0
Share issuance costs		-	(124.8)	-	-	-	-	(124.8)	-	(124.8)
Option exercised		165	651.1	(238.8)	-	-	-	412.3	-	412.3
Share-based compensation charges		-	-	354.0	-	-	-	354.0	7.9	361.9
Balance at September 30, 2020		55,407	\$ 183,209.2	\$ 24,618.9	\$ 2,593.1	\$ -	\$ (93,665.1)	\$ 116,756.1	\$ 1,885.9	\$ 118,642.0

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

Chesapeake Gold Corp.

Consolidated Statements of Cash Flows

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

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Cash flow (used in) from operating activities					
Net income (loss) for the period		\$ (1,827.8)	\$ 614.6	\$ (5,210.6)	\$ 411.1
Items not affecting cash					
Depreciation		3.2	3.8	11.3	16.9
Unrealized foreign exchange (gain) loss		79.8	7.4	125.0	81.0
Finance cost - lease		-	0.3	0.2	3.2
Unrealized (gain) loss from marketable securities and investments		265.7	(1,048.5)	768.9	(1,386.9)
Share-based compensation	11	840.9	152.1	2,503.6	361.9
Other income		-	-	(135.0)	(56.0)
		(638.2)	(270.3)	(1,936.6)	(568.8)
Changes in non-cash operating working capital					
Other receivables and prepaid expenses		(24.0)	(20.8)	(49.3)	83.7
Accounts payable and accrued liabilities		(96.5)	(22.3)	(185.1)	149.8
		(758.7)	(313.4)	(2,171.0)	(335.3)
Cash flows (used in) from financing activities					
Proceeds from exercised options		-	165.1	1,849.0	412.3
Proceeds from private placement		-	20,000.0	-	20,000.0
Proceeds from employee's stock option gain in trust	11	-	-	651.8	-
Repayment of employee's stock option gain in trust	11	-	-	(600.0)	-
Lease payment		(0.5)	-	(3.6)	-
		(0.5)	20,165.1	1,897.2	20,412.3
Cash flows from (used in) investing activities					
Proceeds from sale of marketable securities		147.6	537.6	718.6	816.1
Purchase of marketable securities		(12.5)	(50.6)	(583.2)	(306.2)
Investment Alderley Gold		-	-	(36.5)	-
Lease - payment		-	(1.5)	(1.5)	(10.5)
Mineral property expenditures		(758.5)	(521.3)	(2,145.4)	(1,246.7)
		(623.4)	(35.8)	(2,048.0)	(747.3)
Foreign exchange impact on cash		(81.7)	(10.1)	(190.0)	(126.4)
Increase (decrease) in cash		(1,382.6)	19,815.9	(2,321.8)	19,329.7
Cash – beginning of period		33,200.3	14,655.7	34,247.8	15,258.2
Cash – end of period		\$ 31,736.0	\$ 34,461.5	\$ 31,736.0	\$ 34,461.5
Cash		\$ 239.8	\$ 549.8	\$ 239.8	\$ 549.8
Short term investments		31,496.2	33,911.7	31,496.2	33,911.7
		\$ 31,736.0	\$ 34,461.5	\$ 31,736.0	\$ 34,461.5
Supplement cashflow information					
Share issuance – Alderley Gold acquisition	8	\$ -	\$ -	\$ 45,000.0	\$ -

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

1. Nature of operations

Chesapeake Gold Corp. (“Chesapeake” or the “Company”) is a Canadian mining company focused on the exploration and development of precious metal deposits in North and Central America. 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 Metates project in Durango State, Mexico and generating a pipeline of regional exploration projects in the region.

The Company is domiciled in Vancouver, Canada and its common shares are listed on the TSX Venture Exchange under the trading symbol “CKG.V”. The Company also trades on the OTCQX marketplace in the United States, under the symbol “CHPGF”. The Company’s head office is at Suite 1201 – 1166 Alberni Street Street, Vancouver BC, V6E 3Z3, Canada.

The Company currently holds a 74% interest in Gunpoint Exploration Ltd. (“Gunpoint”), a Vancouver based company listed on the TSX Venture Exchange, symbol “GUN.V”. Gunpoint owns 100% of the Talapoosa gold project, located in Nevada, United States.

The Company had a consolidated net loss of \$5,210.6 (2020 – net gain of \$411.1) for the nine months ended September 30, 2021, and an accumulated deficit of \$100,568.5 as at September 30, 2021 (December 31, 2020 - \$95,675.1). The Company’s working capital as at September 30, 2021 is \$32,593.1 (December 31, 2020 - \$34,552.0) and has sufficient resources to fund its exploration and development operations for more than a year.

On January 20, 2021, the Company closed the acquisition of Alderley Gold Corp. (“Alderley Gold”), a private British Columbia mining technology company (see Note 8).

COVID-19

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.

In June 2020, the Mexican federal government and the state of Durango lifted the suspension permitting the Company to resume its exploration activities. The Company has adopted proper safety protocols in respect to these regulations and does not expect any significant impact on its operations. Travel between countries is still significantly restricted. However, 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 in the future.

2. Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020.

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2020. In addition, the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended December 31, 2020.

The Company’s interim results are not necessarily indicative of its results for a full year.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 2, 2021.

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

3. Estimates, risks, and uncertainties

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

The 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 unaudited condensed consolidated interim 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 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 proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.
- iv. Although, the Company takes steps to verify title to mineral properties investments 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.
- v. Management is required to assess impairment in respect to its intangible assets on an annual basis. The triggering events are defined in IAS 38. In making the assessment, management is required to make judgments on the status of each project and the future plans towards economic benefits. Some intangible assets may be subjected to impairment in future periods.

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 are different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model.
- iii. Other significant accounting estimates include valuation of other receivables, marketable securities, and long-term investments, carrying value of intangible assets, and carrying value of mineral properties.
- iv. The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

- v. Management is required to assess impairment in respect to its intangible assets on an annual basis. The triggering events are defined in IAS 38. In making the assessment, management is required to make certain estimates and assumptions; this is used to compare with the carrying value of the intangible assets.

4. Significant accounting policies

Intangible assets

The Company's intangible assets consist of a sub-license of an atmospheric alkaline pre-oxidation process to enable the leaching of precious metals from sulphide ores (the "Technology"). The Technology oxidizes sulphide and transition ores using certain chemistry to manage pH and alkalinity thereby increasing recovery and reducing potential to turn acidic during cyanide leaching. It has a useful life of up to 20 years upon the completion of the patent process.

The Company's intangible assets are carried at cost less accumulated amortization and impairment. Amortization of the assets begins when the asset is available for use. Intangible assets are capitalized when the costs can be measured reliably and it is probable that the future economic benefits that are attributable to the asset will flow to the Company. Costs that do not meet the definition of capitalization under IAS 38, Intangible Assets, are expensed as incurred. Intangible assets are tested for impairment on an annual basis or when events or changes in circumstances indicate that the carrying value may not be recoverable through future discounted net cash flows from the use or disposal of the asset.

5. Financial instruments and risk management

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	September 30, 2021		December 31, 2020	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
Cash	31,736.0	31,736.0	34,247.8	34,247.8
Marketable securities	1,868.4	1,868.4	1,546.7	1,546.7
Long-term investments	954.7	954.7	2,026.4	2,026.4
Financial liabilities				
Accounts payable and accrued liabilities	889.2	889.2	1,067.6	1,067.6
Lease liability	-	-	3.5	3.5
Promissory note	700.0	700.0	700.0	700.0

Fair value measurements

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

	Level 1	Level 2	Level 3	Total, September 30, 2021
Marketable securities	1,868.4	-	-	1,868.4
Long-term investments	954.7	-	-	954.7
	\$ 2,823.1	\$ -	\$ -	\$ 2,823.1

	Level 1	Level 2	Level 3	Total, December 31, 2020
Marketable securities	1,546.7	-	-	1,546.7
Long-term investments	2,026.4	-	-	2,026.4
	\$ 3,573.1	\$ -	\$ -	\$ 3,573.1

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 nine months ended September 30, 2021.

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, marketable securities, and long-term investments. The Company's marketable securities and long-term investments are held in bonds and common shares of publicly traded companies. The carrying amount of the financial assets represents the maximum credit exposure. The Company's cash is held through large Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company settles its financial liabilities using its cash and cash equivalents. The Company manages liquidity risk through the management of its capital structure as described in Note 13. The accounts payable and accrued liabilities 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. 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 and held with large Canadian financial institutions.

Foreign Exchange Rate Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the United States, Mexico, and Guatemala. Certain costs and expenses are incurred in US dollars, Mexican pesos, and Guatemala quetzal. The Company attempts to mitigate currency risk through the preparation of short and long-term expenditure budgets in the foreign currencies.

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

Price Risk

The Company is exposed to price risk with respect to its investments, which consists of common shares of publicly-traded companies and is dependent upon the market price or the fair value of the common shares of these companies. The market price or the fair value of the common shares of publicly-traded companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

6. Long-term investments and marketable securities

	December 31, 2020 Fair value	Acquired	Proceeds received from sale	Realized and unrealized (loss)/gain	September 30, 2021 Fair value
Marketable securities	\$ 1,546.7	\$ 602.5	\$ (718.6)	\$ 437.8	\$ 1,868.4
Long-term investments	\$ 2,026.4	\$ 135.0	\$ -	\$ (1,206.7)	\$ 954.7

During the period ended September 30, 2021, Gunpoint acquired through an option agreement (see note 7(e)) 1,000,000 common shares of Inomin Mines Inc. (valued at \$135.0)

	December 31, 2019 Fair value	Acquired and reclassified	Proceeds received from sale	Realized and unrealized loss	December 31, 2020 Fair value
Marketable securities	\$ 1,544.5	\$ 417.1	\$ (862.8)	\$ 447.9	\$ 1,546.7
Long-term investments	\$ 442.2	\$ 73.3	\$ -	\$ 1,510.9	\$ 2,026.4

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

7. Investment in mineral properties

	Metates (a)	Yarely	Regional	Talapoosa (b)	Total
December 31, 2019	\$ 76,230.7	\$ 4,419.1	\$ 1,126.4	\$ 5,176.8	\$ 86,953.0
Effect of foreign exchange on translation	586.7	33.9	14.4	-	635.0
Assays	-	29.2	28.7	-	57.9
Concession acquisition	62.7	7.8	134.2	-	204.7
Community, taxes, camp and supplies	358.8	-	238.2	-	597.0
Geological and engineering	457.9	1.5	275.4	23.0	757.8
License, dues, and fees	-	-	-	263.8	263.8
Travel	23.8	-	84.3	-	108.1
Other	-	-	-	8.6	8.6
December 31, 2020	\$ 77,720.6	\$ 4,491.5	\$ 1,901.6	\$ 5,472.2	\$ 89,585.9
Effect of foreign exchange on translation	247.3	14.1	6.8	-	268.2
Assays	18.7	108.1	-	-	126.8
Concession acquisition	63.8	-	152.8	-	216.6
Community, taxes, camp and supplies	162.8	-	64.2	-	227.0
Drilling	383.4	-	-	-	383.4
Environmental	4.8	-	-	-	4.8
Geological and engineering	637.8	-	135.8	26.4	800.0
License, dues, and fees	-	-	-	274.8	274.8
Travel	83.4	-	22.9	-	106.3
Other	-	-	-	6.5	6.5
September 30, 2021	79,322.6	4,621.5	2,276.3	5,779.9	92,000.3

a. Metates Project

The Company owns a 100% interest in the Metates project (“Metates”) located in Durango State, Mexico. Metates is comprised of fourteen mineral concessions totaling 10,727 hectares. Metates hosts one of the largest undeveloped in-situ gold-silver deposits in the Americas. In July 2021, the results of Preliminary Economic Assessment (the “PEA”) were published. The PEA focuses on the application of the sulphide heap leach technology as applied to the Metates project. The full report will be filed on SEDAR within 45 days of the press release.

On May 9, 2014, the Company acquired the 1.5% net smelter return royalty (“Metates NSR”) on the Metates project from a private Mexican company. 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 \$9,859.5 (US\$9,000.0).

On August 9, 2014, the Company entered into an agreement (“Agreement”) whereby the Company has assigned its interest in the Metates 1.5% NSR to Wheaton Precious Metals Corp. (formerly known as Silver Wheaton Corp.) (“WPM”) for US\$9,000.0. As part of the Agreement, the Company had 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 WPM for US\$9,000.0 with WPM 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 WPM elects to sell the Metates NSR to a third party, on the same terms and conditions as the third party’s 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 WPM whereby the Company has granted WPM 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’s offer.

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On August 9, 2019, the Company exercised the option to re-purchase a 1% NSR for \$11,972.2 (US\$9.0 million) from WPM. The funds were paid by the President of the Company directly to WPM, resulting in a related party loan. The related party loan and interest of \$12,055.6 were fully repaid during 2019. Please refer to Note 14 to Related Party Transaction to finance the 1% NSR acquisition.

On January 20, 2021, the Company closed the acquisition Alderley Gold pursuant to a definitive agreement dated December 9, 2020 (the "Agreement") in order to gain access to an innovative precious metals oxidation processing technology (the "Technology").

The Company intends to investigate and develop the Technology's commercial application to Metates. The Company is undertaking extensive metallurgical testwork to determine the economic viability of Metates as a heap leach mine operation. If successful this will potentially lead to a new development approach that will be financeable, deliverable and operable by the Company and once operational, expandable as a sulphide heap leach.

During Q2 2021, the Company completed a 2300 metre diamond drilling program to recover approximately 10 tonnes of large diameter core samples for a comprehensive metallurgical test program. Additionally, the Company contracted M3 Engineering and Technology ("M3") to compile a study that evaluates the sulphide heap leach option for the Metates project using the Technology.

On July 26, 2021, the Company reported the positive results of the Preliminary Economic Assessment ("PEA") for the Phase 1 mine plan ("Phase 1") of the Metates gold silver project in Durango, Mexico. Phase 1 evaluates the initial development of Metates as a low cost, scalable heap-leach operation. The PEA demonstrates robust project economics with optionality for expansion into a significantly larger operation.

The PEA includes a revised mineral resource estimate for the Metates Project and replaces the mineral reserve estimate contained in the Company's updated preliminary feasibility study dated April 29, 2016 ("2016 PFS").

b. Talapoosa

Gunpoint owns a 100% interest in the Talapoosa property ("Talapoosa") which consists of 535 unpatented lode mining claims in Nevada. Gunpoint owns 509 claims and 26 claims are 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\$88.2. 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\$89.6. \$211.4 of decommissioning obligation related to revegetation was accrued. The Company expects \$223.4 of the reclamation bonds related to Talapoosa will be released when the decommissioning obligation is fulfilled.

c. El Duraznito (Durango State, Mexico)

On March 3, 2020, the Company announced an option to acquire a 100% interest in the El Duraznito gold-silver project ("El Duraznito") located near the town of Tayoltita in Durango State, Mexico. El Duraznito is located about 18 kilometers east of First Majestic Silver Corp.'s San Dimas Mine ("San Dimas"). The Company will provide US\$228.0 in staged payments to two concession owners ("Owners") over three years to earn a 60% interest in El Duraznito. After completion of a Feasibility Study, Chesapeake will pay the Owners US\$500.0 to earn an additional 20% interest in the project. Upon commencement of commercial production, The Company will have acquired a 100% interest in El Duraznito with a final US\$550.0 payment to the Owners. The development timeline is at the Company's sole discretion.

As at June 30, 2021, the definitive agreement was still being finalized and expected to be completed before the end of 2021.

8. Intangible asset

On January 20, 2021, the Company closed the acquisition of Alderley Gold, a private British Columbia mining technology company. Through the acquisition of Alderley Gold, the Company gained access to the Technology.

Under the terms of the Agreement, the Company issue 10 million common shares (fair value of \$45,000.0) (the "Alderley Shares") to the shareholders of Alderley Gold. The Alderley Shares were issued into escrow with release based on time and milestone conditions over 7 years as follows:

- i. 5% released on each of the first four anniversaries of January 19, 2021 ("Closing Date");
- ii. 10% released on the earlier of (a) date of a positive feasibility study and (b) the fifth anniversary of Closing Date (January 19, 2025)

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iii. 30% released on the earlier of (a) duly certified commencement of construction of a mine and (b) the sixth anniversary of Closing Date (January 19, 2026);

iv. 40% released on the earlier of (a) duly certified commencement of commercial production and (b) the seventh anniversary of Closing Date (January 19, 2027).

The Company accounted for the Alderley Gold acquisition as an asset purchase and the purchase price allocation is summarized as follow:

Share issuance	\$	45,000.0
Transaction cost – deferred charges		91.7
Transaction cost		36.5
Total consideration		45,128.2

Allocated to:

Intangible asset	\$	45,128.2
Total consideration		45,128.2

The Company's intangible assets are carried at cost less accumulated amortization and provision for impairment. Amortization of the assets begins when the asset is available for use and would be amortized through straight line method over its useful life (up to 20 years).

9. Promissory note

As at September 30, 2021, Gunpoint has a promissory note in the principal amount of \$700.0 (2020 - \$700.0) due to the President of the Company. The promissory note is unsecured, bears interest at 5% per annum, and is due on demand.

Interest accrued on the promissory note for the nine months ended September 30, 2021 was \$26.3 (2020 - \$26.3).

As at September 30, 2021, the total accrued interest related to the promissory note was \$334.0 (December 31, 2020 - \$307.7) and included in account payables and accrued liabilities.

10. Share capital

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.

As at September 30, 2021, 10,375,000 (December 31, 2020 – 375,000) common shares were held in escrow, subject to release upon approval of the regulatory authorities.

Nine months ended September 30, 2021

- On January 19, 2021, the Company closed the acquisition of Alderley Gold and issued 10 million common shares. The Alderley Shares were issued into escrow with release based on time and milestone conditions over 7 years.
- On January 27, 2021, the Company issued the President of the Company 200,000 bonus shares that was declared in December 2020. There are no further bonus shares outstanding as at September 31, 2021.

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- c) During the period ended September 30, 2021, the Company issued 860,000 common shares for total proceeds of \$1,849.0 pursuant to the exercise of stock options with an exercise price of \$2.15 per share.

Year ended December 31, 2020

- d) On August 18, 2020, the Company completed a non-brokered private placement of 4,000,000 common shares at a price of \$5.00 per share for gross proceeds of \$20,000.0. Share issuance cost related to this transaction was \$153.8, of which \$101.4 was direct legal fees to a related party (paid to a law firm of which an officer was a partner of).
- e) During the year ended December 31, 2020, 1,015,000 stock options were exercised at \$2.15 per share for proceeds of \$2,182.3.
- f) During the year ended December 31, 2020, 50,000 stock options were exercised at \$3.30 per share for proceeds of \$165.0.

11. Share-based compensation

On May 18, 2021, the Company adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at September 30, 2021, the remaining share options available for issue under the plan were 1,441,936 (December 31, 2020 – 1,122,500).

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 (as at December 31, 2020, 1,122,500 of stock options are available for further grants). 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 (as at September 30, 2021, there are no room for further issuance), representing approximately 0.30% 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.

On May 14, 2020, the Company granted 400,000 stock options to a director of the Company with an exercise price of \$3.15 per share. The stock options vest on the basis of 25% annually commencing May 14, 2021. The stock options are exercisable until May 14, 2025.

On December 10, 2020, the Company granted 1,850,000 stock options to officers and a director of the Company at an exercise price of \$4.56 per share. The stock options vest on the basis of 25% annually commencing December 10, 2021. The stock options are exercisable until December 10, 2025.

On January 19, 2021, the Company granted 300,000 stock options to the directors of the Company. These options vest equally over 4 years with the first vesting date on January 19, 2022, with an exercise price of \$4.55 and an expiry date of January 19, 2026. On March 24, 2021, 150,000 of these stock options were cancelled due to the resignation of a director.

On May 31, 2021, the Company granted 73,500 incentive stock options to officer at an exercise price of \$4.37 per share for a term of 5 years. The Options will vest and be exercisable on the basis of 25% annually, commencing May 31, 2022, the first anniversary of the date of the grant.

During the period ended September 30, 2021, 860,000 stock options were exercised with an exercise price of \$2.15 per share. Total proceeds received by the Company was \$1,849,000.

Of these stock options, the Company assisted the exercising of some of these stock options on behalf of the option holders through the Company's corporate investment account. The Company received \$651.8 of option holder's gains in trust. During the period ended September 30, 2021, the Company repaid \$600.0 of the amount owed to the option holders, resulting an outstanding amount of \$51.8.

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The weighted average fair value per stock options granted for the nine months ended September 30, 2021 was \$3.84 (December 31, 2020 - \$2.47).

	September 30, 2021		December 31, 2020	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Outstanding – beginning of year	5,955	\$ 3.57	5,233	\$ 2.92
Granted	373	4.51	2,250	4.31
Exercised	(860)	2.15	(1,065)	2.20
Forfeited/Expired	(174)	4.44	(463)	2.79
Outstanding – end of period	5,294	\$ 3.84	5,955	\$ 3.57

The weighted average contractual life of the outstanding stock options as at September 30, 2021 was 3.22 years.

The following table discloses the number of options and vested options outstanding as at September 30, 2021:

Number of options (000s)	Number of options vested (000s)	Exercise price	Expiry Date
706	706	\$ 3.75	27-Sept-22
2,115	2,115	3.30	29-Aug-24
400	100	3.15	14-May-25
1,850	-	4.56	10-Dec-25
150	-	4.55	19-Jan-26
73	-	4.37	31-May-26
5,294	2,921	3.84	

During the nine months ended September 30, 2021, the Company recognized \$2,503.6 (2020 - \$361.9) as share-based compensation expense, of which \$2,488.3 (2020 - \$330.6) relates to the Company and \$15.3 (2020 - \$31.3) to Gunpoint.

The weighted average contractual life of outstanding stock options as at December 31, 2020 was 3.37 years.

The following table discloses the number of options and vested options outstanding as at December 31, 2020:

Number of options (000s)	Number of options vested (000s)	Exercise price	Expiry Date
860	860	\$ 2.15	21-Mar-21
730	547	3.75	27-Sept-22
2,115	2,115	3.30	29-Aug-24
400	-	3.15	14-May-25
1,850	-	4.56	10-Dec-25
5,955	3,522	3.57	

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12. Related party transactions

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

Short-term employee benefits include salaries payable within twelve months of the statement of financial position date and other annual employee benefits.

The Company incurred the following expenses with related parties during the nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Consulting	\$ 121.9	\$ 66.5	\$ 220.8	\$ 116.1
General and administration – salary	137.5	-	412.5	-
General and administration – director's fees	60.0	-	180.0	-
General and administration - rental	6.0	6.0	18.0	18.0
Legal	33.5	22.4	198.3	26.8
Management fees	62.5	50.0	187.5	150.0
Share based compensation	726.2	152.1	2,157.0	361.9

Management and rental fees were paid or accrued to a private company owned by the President. Consulting fees were paid or accrued to directors of the Company.

As at September 30, 2021 the Company had amounts payable of \$55.0 to related parties (December 31, 2020 - \$302.0) These amounts are unsecured and non-interest bearing, due on demand and are included in accounts payable and accrued liabilities.

As at September 30, 2021, Gunpoint has a promissory note in the principal amount of \$700.0 (2020 - \$700.0) and \$334.0 of interest payable included in accounts payables and accrued liabilities (December 31, 2020 - \$307.7). due to the President of the Company (Note 8).

13. 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 as follows:

	September 30, 2021	December 31, 2020
Total equity for owners	\$ 162,203.8	\$ 117,480.3
Less: cash	(31,736.0)	(34,247.8)
	130,467.8	83,232.5

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 September 30, 2021, 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.

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14. 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 7. The Company's assets by country are:

September 30, 2021	Canada	Mexico	USA	Total
Cash	\$ 31,600.7	\$ 107.1	\$ 28.2	\$ 31,736.0
Other receivables and prepaid expenses	32.1	545.8	-	577.9
Marketable securities	1,868.4	-	-	1,868.4
	33,501.2	652.9	28.2	34,182.3
Long-term investments	414.7	-	540.0	954.7
Investment in mineral properties	-	86,220.4	5,779.9	92,000.3
Intangible assets	45,128.2	-	-	45,128.2
Other long-term assets	39.3	-	217.7	257.0
Right-of-use asset	-	-	-	-
Equipment	-	31.0	-	31.0
Total assets	\$ 79,083.4	\$ 86,904.3	\$ 6,565.8	\$ 172,553.5
Segment income (loss) for the three months ended	\$ (1,262.8)	\$ (74.9)	\$ (490.1)	\$ (1,827.8)
Segment income (loss) for the nine months ended	\$ (3,724.4)	\$ (229.8)	\$ (1,256.4)	\$ (5,210.6)
September 30, 2020	Canada	Mexico	USA	Total
Cash	\$ 34,414.4	\$ 10.3	\$ 36.8	\$ 34,461.5
Other receivables and prepaid expenses	135.3	330.8	-	466.1
Marketable securities	1,331.3	-	-	1,331.3
	35,881.0	341.1	36.8	36,258.9
Long-term investments	628.4	-	960.0	1,588.4
Investment in mineral properties	-	83,927.8	5,441.4	89,369.2
Other long-term assets	19.2	-	248.1	267.3
Right-of-use asset	-	3.9	-	3.9
Equipment	-	38.4	-	38.4
Total assets	\$ 36,528.6	\$ 84,311.2	\$ 6,686.3	\$ 127,526.1
Segment income (loss) for the three months ended	\$ (116.5)	\$ (74.1)	\$ 805.2	\$ 614.6
Segment income (loss) for the nine months ended	\$ (519.5)	\$ (195.1)	\$ 1,125.7	\$ 411.1