Chesapeake Gold Corp.

Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(amounts expressed in thousands of Canadian dollars, except where indicated)

Independent Auditor's Report

Grant Thornton LLP
Suite 1600,
333 Seymour Street
Vancouver, British Columbia
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569

To the Shareholders of Chesapeake Gold Corp.:

Opinion

We have audited the consolidated financial statements of Chesapeake Gold Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – restated comparative information

We draw attention to Note 18 of the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2021, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on April 8, 2022.

As part of our audit of the consolidated financial statements for the year ended December 31, 2022, we also audited the adjustments applied to restate certain comparative information presented for the year ended December 31, 2021. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2021. Accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2021 taken as a whole.

Key audit matters

We have determined that there are no key audit matters to communicate in our auditor's report.

Information other than the consolidated financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Riecken.

Grant Thornton LLP

Vancouver, Canada
April 12, 2023

Chartered Professional Accountants

Chesapeake Gold Corp.

Consolidated Statements of Financial Position

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

		As at	
	Note	December 31, 2022	December 31, 2021 (restated - note 18)
Assets			
Current assets			
Cash and cash equivalents	6	$ 25,673	$ 31,817
Other receivables and prepaid expenses	5	1,373	816
Marketable securities	6,7	-	336
Total current assets		27,046	32,969
Long-term investments	6,7	890	1,328
Exploration and evaluation assets	8,18	136,394	139,715
Equipment		27	29
Reclamation bonds		270	257
Total assets		$ 164,627	$ 174,298
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6,18	$ 1,705	$ 2,925
Promissory note	10	-	700
Total current liabilities		1,705	3,625
Deferred income tax liabilities	16	9,006	8,151
Decommissioning obligation		258	245
Total liabilities		10,969	12,021
Shareholders' equity			
Share capital	11	234,906	234,906
Reserves		28,076	28,450
Deficit		(112,012)	(102,841)
Shareholders' equity – attributable to the shareholders		150,970	160,515
Non-controlling interest ("NCI")		2,688	1,762
Total shareholders' equity		153,658	162,277
Total liabilities and shareholders' equity		$ 164,627	$ 174,298

Nature of operations (note 1)

Approved by the Board of Directors

__________"P. Randy Reifel"____________ Director _________"Christian Falck"_________ Director

Chesapeake Gold Corp.

Consolidated Statements of Loss and Comprehensive Loss

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

	Notes	Year Ended December 31,	
		2022	2021
General and administration expenses			
Depreciation		$ (9)	$ (14)
Exploration		(283)	(343)
General and administrative	13	(2,053)	(1,786)
Management fees	13	(250)	(250)
Professional fees	13	(638)	(456)
Share-based compensation recovery (expense)	12	(1,112)	(3,089)
Total general and administration expenses		(4,345)	(5,938)
Other income (expense)			
Finance income		467	219
Finance costs		(4)	(104)
Foreign exchange loss		(22)	(36)
Unrealized gain (loss) on marketable securities and investments	7	(520)	(394)
Impairment – exploration and evaluation asset	8	(5,831)	-
Gain from debt settlement	10	52	-
Other income		68	216
Total other expenses		(5,790)	(99)
Net loss before income taxes		(10,135)	(6,037)
Deferred income tax recovery (expense)	16	(855)	(1,364)
Net loss		(10,990)	(7,401)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net earnings:			
Cumulative translation adjustment		(1,402)	275
Total comprehensive loss		(12,393)	(7,126)
Net income (loss) attributable to			
Shareholders of the Company		(10,710)	(7,166)
Non-controlling interest		(280)	(235)
		(10,990)	(7,401)
Other comprehensive (loss) income attributable to			
Shareholders of the Company		(1,402)	275
Non-controlling interest		-	
Total other comprehensive (loss) income		$ (1,402)	$ 275
Loss per share – basic and diluted		$ (0.16)	$ (0.11)
Weighted average shares outstanding (000's) – basic and diluted		67,367	66,650

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

Chesapeake Gold Corp.

Consolidated Statements of Changes in Shareholders' 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 shareholders' equity
Balance at January 1, 2022		67,367	$ 234,906	$ 26,117	$ 2,334	$ -	$ (102,841)	$ 160,516	$ 1,762	$ 162,278
Net loss for the year		-	-	-	-	-	(10,710)	(10,710)	(280)	(10,990)
Cumulative translation adjustment		-	-	-	(1,402)	-	-	(1,402)	-	(1,402)
Gunpoint share issuance	10	-	-	-	-	-	1,539	1,539	1,121	2,660
Share-based compensation charges	12	-	-	1,027	-	-	-	1,027	85	1,112
Balance at December 31, 2022		67,367	$ 234,906	$ 27,144	$ 932	$ -	$ (112,012)	$ 150,970	$ 2,688	$ 153,658
Balance at January 1, 2021		56,307	$ 186,032	$ 23,916	$ 2,059	$ 1,148	$ (95,675)	$ 117,480	$ 1,985	$ 119,465
Net loss for the year		-	-	-	-	-	(7,166)	(7,166)	(235)	(7,401)
Management fees – bonus shares		200	1,148	-	-	(1,148)	-	-	-	-
Cumulative translation adjustment		-	-	-	275	-	-	275	-	275
Share issued (in escrow)		10,000	45,000	-	-	-	-	45,000	-	45,000
Option exercised		860	2,726	(877)	-	-	-	1,849	-	1,849
Share-based compensation charges		-	-	3,077	-	-	-	3,077	12	3,089
Balance at December 31, 2021		67,367	$ 234,906	$ 26,116	$ 2,334	$ -	$ (102,841)	$ 160,515	$ 1,762	$ 162,277

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

Chesapeake Gold Corp.

Consolidated Statements of Cash Flows

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

Supplemental cash flow information (note 17)	Note	Year Ended December 31, 2022	2021
Cash flow used in operating activities			
Net loss for the year		$ (10,990)	$ (7,401)
Items not affecting cash			
Depreciation		9	14
Deferred income tax (recovery) expense		855	1,364
Unrealized foreign exchange (gain) loss		22	15
Unrealized loss (gain) from marketable securities and investments		520	394
Share-based compensation (recovery) expense	12	1,112	3,089
Impairment of exploration and evaluation assets		5,831	-
Gain on debt settlement		(52)	-
Other income		(12)	(153)
Changes in non-cash operating working capital			
Other receivables and prepaid expenses		(457)	(308)
Accounts payable and accrued liabilities		(1,336)	377
		(4,498)	(2,609)
Cash flows provided by financing activities			
Proceeds from private placement – Gunpoint Exploration Ltd.	11	1,455	-
Proceeds from exercised options		225	1,849
Repayment of employee’s stock option gain in trust		-	(652)
Lease payment		-	(4)
		1,680	1,193
Cash flows used in investing activities			
Proceeds from sale of marketable securities		159	3,396
Purchase of marketable securities		-	(969)
Investment Alderley Gold		-	(36)
Proceeds from option agreement	8(b)	322	-
Purchase of equipment		(7)	-
Lease - payment		-	(2)
Mineral property expenditures	8	(3,957)	(3,397)
		(3,483)	(1,008)
Foreign exchange impact on cash and cash equivalents		157	(7)
Decrease in cash and cash equivalents		(6,144)	(2,431)
Cash and cash equivalents – beginning of year		31,817	34,248
Cash and cash equivalents – end of year		$ 25,673	$ 31,817
Cash		$ 1,561	$ 280
Short-term investments		24,112	31,537
		$ 25,673	$ 31,817

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

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 has exploration and evaluation assets and does not generate mining revenues from operations. The Company's operations are principally directed towards the development of the Metates project in the state of Durango, 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.

As at December 31, 2022, the Company own 67% (December 31, 2021 – 75%) of 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 $10,990 (2021 – net loss of $7,401) for the year ended December 31, 2022, and an accumulated deficit of $112,012 as at December 31, 2022 (December 31, 2021 - $102,841). The Company's working capital as at December 31, 2022 is $25,341 (December 31, 2021 - $29,344) 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.

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, 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. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). and have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The policies set out below were consistently applied to all periods presented.

The Board of Directors approved the consolidated financial statements on April 12, 2023.

Prior period reclassification

Certain items have been reclassified to conform with current year presentation.

3. Estimates, risks, and uncertainties

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements require management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated 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 following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated 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 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.
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.

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 (assumptions used – fair value of trading price on grant, exercise price, volatility, dividend rate and risk free rate).
iii. Other significant accounting estimates include valuation of marketable securities, and long-term investments, and carrying value of exploration and evaluation assets.
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.

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. In 2010, the Company acquired an 81.93% interest in Gunpoint in exchange for transferring all of its interest in American Gold Capital US Inc. (Nevada) ("American Gold US") to Gunpoint.

As at December 31, 2022, they also include the accounts of Gunpoint as well as the recognition of an 33% non-controlling interest 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 and subject to insignificant risk of changes in value.

Reclamation bonds

The Company maintains cash deposits that are restricted to the funding of reclamation costs. For the Talapoosa property in Nevada, USA, the Company has placed cash on deposit to fund future reclamation costs anticipated under a reclamation plan approved by the State of Nevada.

Comprehensive income (loss)

Comprehensive income (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 (loss) in its consolidated statement of loss and accumulated other comprehensive income (loss) in its consolidated statement of changes in shareholders' equity. The components of other comprehensive income or loss include foreign currency translation adjustments.

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 reporting entity 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 consolidated 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. All gains and losses of foreign currency to functional currency go through profit and loss. All gains and losses on translation from functional to reporting currency are recorded as other comprehensive income or loss.

Exploration and evaluation assets.

The Company capitalizes exploration and evaluation assets expenditures at cost for expenditures incurred after it has obtained legal rights to explore a property and before bankable feasibility study 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 expenditures 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 a probable, economically viable mineral deposit exists which could be brought into a profitable operation. 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 the consolidated statement of loss in the period when the new information becomes available. Exploration and evaluation expenditures are evaluated annually and then reclassified (subject to impairment test) as mineral properties upon completion of technical feasibility and commercial viability.

Equipment

Equipment is recorded at cost. Depreciation 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 computers	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 consolidated statement of loss.

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 the 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 consolidated statement of loss.

Decommissioning obligations

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 decommissioning obligation 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 consolidated statement of loss. 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 share-based awards is estimated using the Black Scholes option pricing model at the grant date and expensed to operations over the 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.

The fair value of bonus shares issued will be based on the most recent trading price multiple by the number of bonus shares issued.

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-Scholes option pricing model at the issuance date.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the consolidated statement of loss on a straight-line basis over the lease term.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the deferred income 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 income 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 income tax asset is recorded against any deferred income tax asset if it is probable that there will be future taxable income to offset. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

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. As at December 31, 2022, the Company had 3,748,500 (2021 – 4,773,500) potentially dilutive shares relating to outstanding stock options.

Share issuance costs

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 issuance 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 the consolidated statement of loss.

Financial Instruments - Recognition and Measurements

(i) Non-derivative financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents are measured at amortized. Marketable securities and long-term investments are classified as FVTPL.

<u>Impairment</u>

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, and promissory note are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the consolidated statement of loss. The Company has no financial liabilities classified as FVTPL.

(iii) Derivative financial instruments

If the Company issues warrants exercisable in a currency other than the Company's functional currency, the warrants will be considered as derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in the consolidated statement of loss. Transaction costs are recognized in the consolidated statement of loss as incurred.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2022 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the Company's consolidated financial statements.

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

5. Other receivables and prepaid expenses

	December 31, 2022	December 31, 2021
Other receivables	$ 822	$ 419
Prepaid expenses	551	397
	$ 1,373	$ 816

6. Financial instruments and risk management

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	December 31, 2022		December 31, 2021	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Cash and cash equivalents	25,673	25,673	31,817	31,817
Marketable securities	-	-	336	336
Long-term investments	890	890	1,328	1,328
Financial liabilities				
Accounts payable and accrued liabilities	1,705	1,705	2,925	2,925
Promissory note	-	-	700	700

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, 2022
Marketable securities	-	-	-	-
Long-term investments	890	-	-	890
	$ 890	$ -	$ -	$ 890

	Level 1	Level 2	Level 3	Total, December 31, 2021
Marketable securities	336	-	-	336
Long-term investments	1,328	-	-	1,328
	$ 1,664	$ -	$ -	$ 1,664

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, 2022.

The long term investments and marketable securities fair values are determined based on closing share price of listed companies.

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

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 14. 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.

(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.

7. Long-term investments and marketable securities

	December 31, 2021 Fair value	Acquired reclassified and FX	Proceeds received from sale	Realized and unrealized (loss)/gain	December 31, 2022 Fair value
Marketable securities	$ 336	$ (107)	$ (159)	$ (70)	$ -
Long-term investments	$ 1,328	$ 12	$ -	$ (450)	$ 890

Marketable securities and long term investments are publicly traded stocks. Long-term investments are investments that management does not have any intent to sell within a year.

During the year ended December 31, 2021, Gunpoint acquired through an option agreement 1,000,000 common shares of Inomin Mines Inc. with a fair value of $135.

	December 31, 2020 Fair value	Acquired and reclassified	Proceeds received from sale	Realized and unrealized (loss)/gain	December 31, 2021 Fair value
Marketable securities	$ 1,547	$ 1,728	$ (3,396)	$ 457	$ 336
Long-term investments	$ 2,026	$ 153	$ -	$ (851)	$ 1,328

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

8. Exploration and evaluation assets

	Metates (a)	Yarely	Regional (d)	Talapoosa (b)	Total Restated (note 18)
December 31, 2020	$ 77,720	$ 4,492	$ 1,902	$ 5,472	$ 89,586
Effect of foreign exchange on translation	254	15	6	-	275
Assays	28	158	-	-	186
Concession acquisition	66	-	1,589	-	1,655
Community, taxes, camp, and supplies	446	-	71	-	517
Drilling	865	-	-	-	865
Environmental	5	-	-	-	5
Geological and engineering	988	-	88	24	1,100
License, dues, and fees	-	-	-	273	273
Travel	146	-	28	-	174
Other	(58)	-	-	9	(49)
License and evaluation of technical feasibility (e)	45,128	-	-	-	45,128
December 31, 2021	125,588	4,665	3,684	5,778	139,715
Effect of foreign exchange on translation	(1,442)	-	(150)	-	(1,592)
Assays	77	-	14	-	91
Concession acquisition	316	-	240	-	556
Community, taxes, camp, and supplies	409	-	18	-	427
Drilling	1,344	-	-	-	1,344
Environmental	120	-	-	-	120
Geological and engineering	1,133	-	84	257	1,474
License, dues, and fees	-	-	-	272	272
Travel and other	86	-	18	36	140
Other (b)	-	-	-	(322)	(322)
Impairment	-	(4,665)	(1,166)	-	(5,831)
December 31, 2022	127,631	-	2,742	6,021	136,394

a. Metates Project

The Company owns a 100% interest in the Metates project (“Metates”) located in Durango State, Mexico.

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 (US$9.0 million).

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$9.0 million. 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$9.0 million 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.

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

On August 9, 2019, the Company exercised the option to re-purchase a 1% NSR for $11,972.2 (US$9,000) from WPM.

b. Talapoosa

Gunpoint owns a 100% interest in the Talapoosa property ("Talapoosa") and 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. 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.

On September 28, 2022, Gunpoint signed an option and earn-in agreement (the "Newcrest Agreement") with Newcrest Resources Inc., a wholly-owned subsidiary of Newcrest Mining Limited, ("Newcrest") to explore Gunpoint's Appaloosa property ("Appaloosa"), located in Nevada, USA., Newcrest has the right to acquire, in multiple stages, up to a 75% interest in Appaloosa for cumulative exploration and development expenditures of US$35 million, cash payments totaling US$5 million to Gunpoint and completing a minimum indicated resource estimate of 1.0 million gold ounces.

Stage	Payment (in '000)	Expenditure	Newcrest Interest %	Time Schedule
Investigation	$322 (US$250 received)	-	-	Until January 21, 2023
Option Phase	US$750	US$2,000,000*	-	18 months
Stage 1	US$1,500	US$10,000,000	51%	3 years
Stage 2**	US$1,000	US$23,000,000	65%	3 years
Stage 3	US$1,500	Minimum mineral resource estimate of 1.0 million gold ounces	75%	2 years

*Minimum expenditure commitment required by Newcrest if it elects to enter into the Option Phase

**If Newcrest elects to terminate Stage 2 or does not earn the additional 14%, Newcrest's interest in Appaloosa will decrease to a 49% interest

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 east of First Majestic Silver Corp.'s San Dimas Mine ("San Dimas"). At present, Chesapeake has an option agreement over one of El Duraznito Claims ("Teresa"). The Company will provide US$78 in staged payments over 3 years to earn 60% of the rights. After completion of the feasibility study, Chesapeake will pay US$100 to earn an additional 20% interest in the project. Upon commencement of mine construction, the Company will have acquired 100% interest in the Teresa claim with a final US$150 final payment.

The El Duraznito Project second claim agreement is still being finalized and expected to be completed before the end of 2023.

d. Regional

During 2020 – early 2021, the Company completed the regional exploration on the eastern flank of Metates. Three gold-silver prospects, Crisy, San Javier and Cerro Pelon, were explored within different regional structural settings associated with intermediate composition intrusive rocks.

e. License and evaluation of technical feasbility

On January 19, 2021, the Company closed the acquisition of Alderley Gold, a private British Columbia company (that was previously controlled by the CEO of Chesapeake Gold). Through the acquisition of Alderley Gold, the Company gained access to the mining technology ("Technology") that is currently being used to the determine the technical and commercial feasibility of the Metates project.

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

Under the terms of the Agreement, the Company issued 10 million common shares (fair value of $45,000) (the "Alderley Shares") to the shareholders of Alderley Gold. The Alderley Shares were and will be released based on time or 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 or (b) the fifth anniversary of Closing Date (January 19, 2025);

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

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

v. All Alderley Shares will be released upon a change of control ("COC") of the Chesapeake Gold Corp. For greater clarity, if COC occurs, the Alderley Shares will be released and not follow the escrow schedule noted in (i)(ii)(iii)(iv).

The Company accounted for the Alderley Gold acquisition in accordance with IFRS 3, Business Combinations, and has elected to utilize the optional concentration test to treat the transaction as an acquisition of assets. The purchase price allocation of the transaction is summarized as follows:

Fair value of common shares issued	$	45,000
Transaction cost – deferred charges and other		128
Total consideration allocated to exploration and evaluation assets		**45,128**

f. Impairment

During the current fiscal year ended December 31, 2022, the Company has discontinued its exploration efforts for the Yarely project and certain areas of Regional, resulting an impairment of $5,831.

9. Equipment

Cost		Exploration Equipment
Cost as at December 31, 2020	$	131
Additions		2
Cost as at December 31, 2021	$	133
Additions		7
Cost as at December 31, 2022		140

Accumulated Depreciation		Exploration Equipment
Accumulated depreciation as at December 31, 2020	$	(93)
Depreciation expense		(11)
Accumulated depreciation as at December 31, 2021		(104)
Depreciation expense		(9)
Accumulated depreciation as at December 31, 2022		(113)

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

Carrying Amount	Exploration Equipment
Carrying value as at December 31, 2020	$ 38
Carrying value as at December 31, 2021	$ 29
Carrying value as at December 31, 2022	$ 27

10. Promissory note

As at December 31, 2022, Gunpoint has a promissory note in the principal amount of $nil (2021 - $700) due to a Director of the Company. The promissory note is unsecured, bears interest at 5% per annum, and is due on demand.

On January 18, 2022, Gunpoint issued 1,720,000 Gunpoint shares for the settlement of debt owed to the Company and 1,733,333 common shares for the settlement of the promissory note of $700 and the accrued interest owed of $334. The fair value of the shares issued was $982, resulting a $52 gain on settlement.

11. 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 December 31, 2022, 9,712,500 (December 31, 2021 – 10,375,000) common shares were held in escrow, subject to release per escrow conditions in note 8(e) and upon approval of the regulatory authorities.

Year ended December 31, 2022

a) During the year ended December 31, 2022, Gunpoint issued 3,443,333 common shares for debenture transaction and raised $1,455 through the issuance of 3,000,000 common shares. The common shares issuance from Gunpoint diluted the Company's share ownership to 68%. This dilution resulted in an increase of NCI by $886 and decrease in retained deficit of $1,549.

Year ended December 31, 2021

b) On January 19, 2021, the Company issued 10,000,000 common shares with a fair value of $45,000 as part of the acquisition of Alderley. The common shares were issued into escrow with release based on time and milestone conditions over 7 years.

c) On January 27, 2021, the Company issued 200,000 common shares with a fair value of $1,148 as bonus compensation shares to the President of the Company that was declared in December 2020.

d) During the year ended December 31, 2021, the Company issued 860,000 common shares for proceeds of $1,849 pursuant to the exercise of stock options with an exercise price of $2.15 per share. As part of the issuance, $877 was transferred from share-based compensation reserves to share capital.

12. 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 December 3, 2022, the remaining share options available for issue under the plan were 2,988,186 (December 31, 2021 – 1,963,187).

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 December 31, 2022 and 2021, there are no room for further issuance), representing approximately 0.30% of the current issued and outstanding common shares as at December 31 2022 and 2021. 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 September 28, 2022, the Company granted 60,000 stock options to officers of the Company. These options vest and are exercisable 25% annually with the first anniversary of the date of the grant commencing September 28, 2023, with an exercise price of $1.92 per share for a 5 year term expiring September 28, 2027.

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 stock options to an officer at an exercise price of $4.37 per share for a term of 5 years. The stock 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.

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 $760 of option holder's gains in trust. During the year ended December 31, 2022, the Company repaid $107 (2021 - $653) of the amount owed to the option holders, resulting in an outstanding amount of $nil (2021 - $107).

The weighted average fair value per stock options granted for the year ended December 3, 2022 was $3.80 (December 31, 2021 - $3.89).

	December 31, 2022		December 31, 2021	
	Number of options (000's)	Weighted average exercise price	Number of options (000's)	Weighted average exercise price
Outstanding – beginning of year	4,773	$ 3.89	5,955	$ 3.57
Granted	60	1.92	373	4.51
Exercised	-	-	(860)	2.15
Cancelled	(450)	4.56	(174)	4.44
Forfeited/Expired	(635)	3.75	(521)	3.36
Outstanding – end of year	3,748	$ 3.80	4,773	$ 3.89

The fair value of common shares issued upon exercise of stock options was $3.80 (December 31, 2021 - $4.08) per share.

The following table discloses the number of options and vested options outstanding as at December 31, 2022:

Number of options ('000s)	Number of options vested ('000s)	Exercise price	Expiry Date
1,665	1,665	3.30	29-Aug-24
400	200	3.15	14-May-25
1,400	775	4.56	10-Dec-25
150	38	4.55	19-Jan-26
73	18	4.37	31-May-26
60	-	1.92	28-Sept-27
3,748	2,696	3.80	

The following table discloses the number of options and vested options outstanding as at December 31, 2021:

Number of options ('000s)	Number of options vested ('000s)	Exercise price	Expiry Date
635	635	$ 3.75	27-Sept-22
1,665	1,665	3.30	29-Aug-24
400	100	3.15	14-May-25
1,850	462	4.56	10-Dec-25
150	-	4.55	19-Jan-26
73	-	4.37	31-May-26
4,773	2,862	3.89	

During the year ended December 31, 2022, the Company recognized $1,112 (2021 - $3,089) as share-based compensation expense, of which $852 (2021 - $3,040) relates to the Company and $260 (2021 – $49) to Gunpoint.

The weighted average contractual life of outstanding stock options as at December 31, 2022 was 2.36 years (December 31, 2021 - 3.89).

13. 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 year ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Consulting	$ 250	$ 177
General and administration – salary	355	350
General and administration – directors' fees	248	244
General and administration - rental	-	24
Legal	200	254
Management fees	250	250
Share-based compensation expense	760	2,756

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

As at December 31, 2022, the Company had amounts payable of $64 to related parties (December 31, 2021 - $205), of which $47 relates to Chesapeake and $17 relates to Gunpoint. These amounts are unsecured and non-interest bearing, due on demand and are included in accounts payable and accrued liabilities.

On January 19, 2021, the Company closed the acquisition of Alderley Gold, a private British Columbia mining technology company (that was previously controlled by the CEO of the Chesapeake Gold Corp.). Through the acquisition of Alderley Gold, the Company gained access to the mining technology ("Technology") that is currently being used to the determine the technical and commercial feasibility of the Metates project. 7,000,000 shares were issued to a company controlled by the CEO. The remaining 3,000,000 shares were issued to non-related parties. As at December 31, 2022, 6,300,000 shares are still held in escrow.

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

As at December 31, 2022, Gunpoint has a promissory note in the principal amount of $nil (2021 - $700) and $nil (December 31, 2021 - $334) of interest payable included in accounts payables and accrued liabilities due to the Director of the Company (Note 10).

As at December 31, 2022, the Company held $nil (December 31, 2021 - $107) of marketable securities and a corresponding payable of $107 (December 31, 2021 - $107) in trust for one of its employees related to the exercise of stock options.

14. Capital management

The capital of the Company consists of items included in shareholders' 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:

	December 31, 2022	December 31, 2021
Total equity for owners	$ 150,970	$ 160,515
Less: cash	(25,673)	(31,817)
	125,297	128,698

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, 2022, 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.

15. 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, 2022	Canada	Mexico	USA	Total
Cash	$ 25,494	$ 164	$ 16	$ 25,673
Other receivables and prepaid expenses	340	1,033	-	1,373
Long-term investments	350	-	540	890
Exploration and evaluation assets – mineral properties	-	85,245	6,021	91,266
Exploration and evaluation assets - technology	45,128	-	-	45,128
Reclamation bonds		-	270	270
Equipment	-	27	-	27
Total assets	$ 71,311	$ 86,468	$ 6,847	$ 164,627
Segment loss in 2022	$ (5,507)	$ (4,929)	$ (554)	$ (10,990)

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

December 31, 2021	Canada	Mexico	USA	Total
Cash	$ 31,630	$ 167	$ 20	$ 31,817
Other receivables and prepaid expenses	183	633	-	816
Marketable securities	336	-	-	336
Long-term investments	788	-	540	1,328
Exploration and evaluation assets – mineral properties (note 18)	-	88,809	5,778	94,587
Exploration and evaluation assets - technology	45,128	-	-	45,128
Other long-term assets	-	-	257	257
Equipment	-	29	-	29
Total assets	$ 78,065	$ 89,638	$ 6,595	$ 174,298
Segment loss in 2021	$ (5,848)	$ (1,232)	$ (321)	$ (7,401)

16 Income taxes

The income taxes shown in the consolidated statement of loss 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,	
	2022	**2021**
Loss before income taxes	$ (10,135)	$ (6,037)
Income tax recovery at statutory rates (2022 – 27%; 2021 – 27%)	2,736	1,630
Difference in foreign tax rates	108	(24)
Non-deductible expenses	(1,205)	(872)
Change in unrecognized deferred income tax asset	(1,611)	(373)
Tax losses expired	(991)	(1,511)
Foreign exchange and other	108	(214)
Deferred income tax (expense) recovery	$ (855)	$ (1,364)

The components of deferred income taxes are as follows:

	2022	2021
Deferred income tax assets		
Operating losses carried forward	$ 4,509	$ 3,785
	$ 4,509	$ 3,785
Deferred tax liabilities		
Investment in mineral properties	(12,957)	(11,776)
Other	(559)	(160)
	$ (13,516)	$ (11,936)
Net deferred income tax liability	$ (9,007)	$ (8,151)

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

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

	2022	2021
Operating losses carried forward	$ 30,687	$ 29,133
Equipment	8	26
Investment in mineral properties	2,706	2,210
Marketable securities and long-term investment	1,483	1,808
Other	1,599	1,138
	$ 36,483	$ 34,316

The following are the non-capital loss carry forwards as at December 31, 2022:

Expiry date	Canada	Mexico
31-Dec-23	$ -	$ 2,409
31-Dec-24	-	524
31-Dec-25	-	1,009
31-Dec-26	489	701
31-Dec-27	494	765
31-Dec-28	1,247	745
31-Dec-29	-	691
31-Dec-30	756	1,083
31-Dec-31	1,187	1,958
31-Dec-32	-	1,118
31-Dec-33	812	-
31-Dec-34	897	-
31-Dec-35	668	-
31-Dec-36	523	-
31-Dec-37	766	-
31-Dec-38	613	-
31-Dec-39	602	-
31-Dec-40	1,906	-
31-Dec-41	2,033	-
31-Dec-42	2,075	-
	$ 15,068	$ 11,108

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

17 Supplemental cash flow information

	Year Ended December 31,	
	2022	**2021**
Promissory note settled from issuance of Gunpoint common shares (note 10)	$ 1,032	$ -
Marketable securities transferred to settle payable (note 7)	107	-
Common shares issuance for acquisition of intangible assets	-	45,000
Transfer of reserves to share capital from stock option exercised	-	877
Exercise of stock option and accounts payable offset	-	107

18 Restatement

During the course of the preparation of the consolidated financial statements for the year ended December 31, 2022, upon receiving certain regulatory documents from the general directorate of mining in Mexico in 2023, management discovered that certain historic concession fees, amounting to $1,387, should have been accrued and capitalized in exploration and evaluation assets in 2021. Therefore, the Company has restated historical financial statements for fiscal 2021 to correct the errors noted. There impact on the Consolidated Statements of Financial Position is presented below.

There was no impact on the Consolidated Statements of Loss and Comprehensive Loss, Consolidated Statements of Changes in Shareholders' Equity and Deficit and Consolidated Cash Flows.

	December 31, 2021 as reported	**December 31, 2021 as restated**
Exploration and evaluation assets	$ 93,200	$ 94,587
Total assets	$ 172,911	$ 174,298
Accounts payable and accrued liabilities	$ 1,538	$ 2,925
Total liabilities	$ 10,634	$ 12,021