

President's Letter



Further weakness in gold and market sentiment resulted in 2018 being another challenging year for the mining industry. From senior producers to junior developers, most gold equities are trading at multi-year lows. During 2018, gold has seen a 7% loss while the GDX and the GDXJ have declined 18%.

Conversely, the US markets have traded in record “high” territories this year. However, recession worries, trade tensions and rising inflation suggest the US economy is late cycle heading for a slowdown. A market correction and weaker US currency supports investment in gold. Another bullish factor are the central bank gold purchases driven by geopolitical tensions and “de-dollarization trend”. For the first time in a decade, different countries are increasing their gold exposure.

Exploration is the lifeblood of a mining company. During the past ten years there hasn't been a discovery that significantly moves the needle for the major miners. In general, gold production and reserves are declining and not being replaced organically by greenfield or brownfield exploration. Miners have improved their balance sheets and realize M&A activity is critical to prevent foreseeable business erosion.

Metates is one of the largest undeveloped deposits in the world with reserves of over 18 million ounces of gold, 526 million ounces of silver and 4.2 billion pounds of zinc. At nameplate capacity, Metates will be ranked globally as one of the top ten gold and silver mines with low all-in sustaining costs over a multi-decade period. Metates moves-the-needle production profile.

During 2018, Chesapeake's focus was to develop a significant pipeline of exploration projects that could supplement and capitalize on the future development of Metates large mining complex. A drill program on the Yarely project successfully discovered high-grade gold-silver veins, polymetallic zinc-gold-silver-skarn system and a large porphyry. Five additional prospects at Yarely including two epithermal gold targets are being advanced to drill stage. Yarely is an emerging diversified camp with district scale size.

Besides Yarely, we are also excited about the Nicole, San Javier and Tatatila projects. Nicole hosts a significant upper level gold-silver-zinc system similar to Metates with a porphyry target at depth. San Javier is a large gold and silver epithermal project near Metates that will be advanced to the drill stage in 2019. Tatatila strategically surrounds Mexican Gold's recent discovery on its Las Minas project in Veracruz State.

Chesapeake today is fundamentally in its strongest position in terms of Metates technical development, exploration pipeline and its 75% indirect equity interest in the Nevada Talapoosa gold project. With \$18 million in cash and marketable securities, we will wisely focus on strategic opportunities that generate the most value. Management are major shareholders and are committed to providing the best leverage to gold and silver. As always, I want to thank our shareholders for their support and trust.

CHESAPEAKE GOLD CORP.



P. Randy Reifel

President

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