



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2017 and 2016

(Expressed in thousands of Canadian dollars, except where indicated)

Prepared by Management

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS
(UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2017**

Second quarter financial statements for the six months period ended June 30, 2017 and 2016 have not been reviewed by the auditors of Chesapeake Gold Corp.

CHESAPEAKE GOLD CORP.

"Sam Wong"

SAM WONG

Chief Financial Officer

Chesapeake Gold Corp.

Condensed Consolidated Interim Statements of Financial Position

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

	Note	June 30, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5	\$ 21,108.4	\$ 21,214.4
Other receivables and prepaid expenses	4	320.4	389.2
Marketable securities	5,6	1,919.7	2,066.9
		23,348.5	23,670.5
Long term investment	5,6	1,541.7	810.0
Investment in mineral properties	7	69,207.6	71,129.1
Equipment	8	67.7	79.2
Reclamation bond		211.4	219.4
Total assets		\$ 94,376.9	\$ 95,908.2
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,9	\$ 886.8	\$ 1,060.0
Convertible debenture	10	700.0	700.0
		1,586.8	1,760.0
Deferred income tax liabilities		6,523.0	6,523.0
Decommissioning obligation		279.4	285.9
Total liabilities		8,389.2	8,568.9
Shareholders' equity			
Share capital	11	148,293.9	148,175.0
Reserves		23,945.4	24,016.9
Deficit		(88,296.6)	(86,894.3)
		83,942.7	85,297.6
Non-controlling interest ("NCI")		2,045.0	2,041.7
Total shareholders' equity		85,987.7	87,339.3
Total liabilities and shareholders' equity		\$ 94,376.9	\$ 95,908.2

Nature of operations (note 1)

Approved by the Board of Directors

"P. Randy Reifel"

Director

"Greg Smith"

Director

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

Chesapeake Gold Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

		Three months ended June 30,		Six months ended June 30,	
	Notes	2017	2016	2017	2016
General and administration expenses					
Depreciation	8	\$ (2.9)	\$ (5.1)	\$ (11.5)	\$ (14.0)
Exploration		(59.1)	(86.4)	(136.3)	(239.6)
General and administrative		(122.0)	(145.1)	(335.8)	(342.6)
Management fees	13	(62.5)	(62.5)	(125.0)	(125.0)
Professional fees		(47.8)	(105.0)	(114.1)	(162.0)
Share-based compensation	12	(385.7)	(738.9)	(873.3)	(1,224.0)
		(680.0)	(1,143.0)	(1,596.0)	(2,107.2)
Other (expenses) income, net					
Finance income		147.7	96.5	262.0	192.7
Finance cost		(23.8)	(25.0)	(48.2)	(42.6)
Foreign exchange gain (loss)		(18.1)	(8.4)	(27.5)	(83.4)
Impairment of equipment		-	(6.7)	-	(6.7)
Impairment of marketable securities	5	-	-	-	(100.6)
Net loss		(574.2)	(1,086.6)	(1,409.7)	(2,147.8)
Other comprehensive loss ("OCI")					
Items that may be reclassified subsequently					
Cumulative translation adjustment		(105.7)	1,899.3	(814.3)	1,303.0
Reclassification of impairment of losses	6	-	-	-	100.6
Unrealized gain (loss) on available for sale investments	6	(483.9)	1,132.1	(81.5)	1,167.9
Total comprehensive income (loss)		(1,163.8)	1,944.8	(2,305.5)	423.7
Net loss attributable to					
Owners of the Company		(570.7)	(1,068.3)	(1,402.3)	(2,079.1)
Non-controlling interest		(3.5)	(18.3)	(7.4)	(68.7)
		(574.2)	(1,086.6)	(1,409.7)	(2,147.8)
Other comprehensive (loss) income					
Owners of the Company		\$ (479.3)	\$ 2,823.9	\$ (912.4)	\$ 2,363.2
Non-controlling interest		(110.3)	207.5	16.6	208.3
Total other comprehensive gain (loss)		(589.6)	3,031.4	(895.8)	2,571.5
Loss per share – basic and diluted		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Weighted average shares outstanding		44,555	44,416	44,536	44,416
Total shares issued and outstanding (000's)		44,555	44,416	44,555	44,416

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

Chesapeake Gold Corp.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

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

	Notes	Shares (‘000)	Attributable to owners of the Company					Total for owners	NCI	Total equity
			Share capital	Share based compensation reserves	Foreign translation reserves	Investment revaluation reserves	Deficit			
Balance at January 1, 2017		44,517	\$ 148,175.0	\$ 20,900.2	\$ 1,875.3	\$ 1,241.4	\$ (86,894.3)	\$ 85,297.6	\$ 2,041.7	\$ 87,339.3
Net loss for the period		-	-	-	-	-	(1,402.3)	(1,402.3)	(7.4)	(1,409.7)
Cumulative translation adjustment		-	-	-	(814.3)	-	-	(814.3)	-	(814.3)
Option exercised	11 & 12	38	118.9	(38.3)	-	-	-	80.6	-	80.6
Unrealized gain in available for sale investments	6	-	-	-	-	(98.1)	-	(98.1)	16.6	(81.5)
Share-based compensation charges	12	-	-	879.2	-	-	-	879.2	(5.9)	873.3
Balance at June 30, 2017		44,555	\$ 148,293.9	\$ 21,741.1	\$ 1,061.0	\$ 1,143.3	\$ (88,296.6)	\$ 83,942.7	\$ 2,045.0	\$ 85,897.7
Balance at January 1, 2016		44,416	\$ 147,594.4	\$ 18,734.0	\$ (52.3)	\$ 481.1	\$ (82,704.0)	\$ 84,053.2	\$ 2,013.9	\$ 86,067.1
Net loss for the period		-	-	-	-	-	(2,079.1)	(2,079.1)	(68.7)	(2,147.8)
Cumulative translation adjustment		-	-	-	1,303.0	-	-	1,303.0	-	1,303.0
Unrealized loss in available for sale investments		-	-	-	-	985.0	-	985.0	182.9	1,167.9
Reclassify to net loss - impairment		-	-	-	-	75.2	-	75.2	25.4	100.6
Share-based compensation charges		-	-	1,216.7	-	-	-	1,216.7	7.3	1,224.0
Balance at June 30, 2016		44,416	\$ 147,594.4	\$ 19,950.7	\$ 1,250.7	\$ 1,541.3	\$ (84,783.1)	\$ 85,554.0	\$ 2,160.8	\$ 87,714.8

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

Chesapeake Gold Corp.

Condensed Consolidated Interim Statements of Cash Flows

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Cash used from operating activities					
Net loss for the period		\$ (574.2)	\$ (1,086.6)	\$ (1,409.7)	\$ (2,147.8)
Items not affecting cash					
Depreciation	8	2.9	5.1	11.5	14.0
Unrealized foreign exchange (gain)		18.1	8.4	27.5	83.4
Impairment of equipment		-	6.7	-	6.7
Impairment of investments	5	-	-	-	100.6
Share-based compensation charges	12	385.7	738.9	873.3	1,224.0
Other income		(46.0)	-	(46.0)	-
		(213.5)	(327.5)	(543.4)	(719.1)
Change in non-cash operating working capital					
Decrease in accounts receivable and prepaid expense		190.4	232.5	68.7	198.0
(Decrease) increase in accounts payable and accruals		(56.5)	(361.7)	(122.6)	(804.6)
		(79.6)	(456.7)	(597.3)	(1,325.7)
Cash flows used in financing activities					
Proceeds from stock option exercised		-	-	80.6	-
		-	-	80.6	-
Cash flows used in investing activities					
Proceeds from disposition of mineral property		-	-	1,343.0	-
Mineral property expenditures		(444.2)	(278.9)	(855.8)	(840.1)
		(444.2)	(278.9)	487.2	(840.1)
Decrease in cash and cash equivalents					
Foreign exchange impact on cash and cash equivalents					
		(10.2)	(70.9)	(76.5)	(146.8)
Cash and cash equivalents – beginning of period					
		21,642.4	22,896.4	21,214.4	24,402.5
Cash and cash equivalents – end of period					
		21,108.4	22,089.9	21,108.4	22,089.9
Cash		\$ 1,547.0	\$ 348.0	\$ 1,547.0	\$ 348.0
Short term investment		19,561.4	21,741.9	19,561.4	21,741.9
Cash and cash equivalents – end of period					
		\$ 21,108.4	\$ 22,089.9	\$ 21,108.4	\$ 22,089.9
Supplemental cash flow information					
Mineral property expenditure – accrual reversal		\$ -	\$ 165.0	\$ -	\$ 165.0
Mineral property disposal – shares received		-	-	620	-

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

(Unaudited - amount 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, development and recovery of precious metals. The Company is in the development stage and does not generate mining revenues from operations. The Company’s operations are principally directed towards the development of the Company’s Metates project in Durango State, Mexico and generating a pipeline of exploration projects in north western Mexico.

The Company is domiciled in Vancouver, Canada and its common shares are listed on the TSX Venture Exchange under the trading symbol “CKG.V”. The Company also trades on the OTCQX marketplace in the U.S., under the symbol “CHPGF”. The Company’s head office is at Suite 201 – 1512 Yew Street, Vancouver BC, V6K 3E4, Canada.

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

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a consolidated net loss of \$1,409.7 (June 30, 2016 - \$2,147.8) for six months ended June 30, 2017, and an accumulated deficit of \$88,296.6 as at June 30, 2017 (December 31, 2016 - \$86,894.3). To date, the Company has not generated operating revenue from its mineral properties. The ability of the Company to continue as a going concern is dependent upon obtaining additional equity and/or debt financing to complete the exploration and development of its mineral property interests and to commence profitable operations. Despite the general economic slow-down and significant uncertainty to key economic variables, the Company currently has sufficient resources to fund its exploration and development operations for more than a year.

2 Basis of presentation

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

The Board of Directors approved this set of financial statements on August 29, 2017.

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

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

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

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

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

Future changes in accounting policies not yet adopted

IFRS 15 Revenues from Contracts with Customers (“IFRS 15”)

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

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

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

IFRS 9 Financial instruments ("IFRS 9")

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

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

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

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

3 Estimates, risks and uncertainties

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

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

- i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- ii. Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions.
- iii. Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. Management has determined that there were no triggering events present as defined in IFRS 6 for the other properties and as such, no impairment test was performed on those properties.
- iv. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Accounting Estimates and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

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

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcomes of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Management estimates the fair values of share based payment arrangements using the Black - Scholes option pricing model. Details of these can be found in Note 12.
- iii. Management estimates the interest rate on a similar liability debenture that does not have an equity conversion option in the calculation of the fair value of the liability and equity portions of a compound instrument upon initial recognition.
- iv. Management's assessment regarding the Company's ability to continue as a going concern.
- v. Other significant accounting estimates include valuation of amounts receivable, accounts payable and accrued liabilities, useful life of equipment.

4 Other receivables and prepaid expenses

	June 30, 2017	December 31, 2016
Other receivables	\$ 124.3	\$ 221.8
Prepaid expenses	196.1	167.4
	\$ 320.4	\$ 389.2

5 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	June 30, 2017		December 31, 2016	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Fair value through profit and loss ("FVTPL")</i>				
Cash and cash equivalents	21,108.4	21,108.4	21,214.4	21,214.4
<i>Available-for-sale</i>				
Marketable securities	1,919.7	1,919.7	2,066.9	2,066.9
Long term investment	1,541.7	1,541.7	810.0	810.0
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable & accrued liabilities	886.8	886.8	1,060.0	1,060.0

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.

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

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

	Level 1	Level 2	Level 3	Total June 30, 2017
Cash and cash equivalents	\$ 21,108.4	\$ -	\$ -	\$ 21,108.4
Marketable securities	1,919.7	-	-	1,919.7
Long term investment	1,541.7	-	-	1,541.7

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

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 six months ended June 30, 2017.

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 14. The accounts payable is due within the current operating period.

Market Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

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Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

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

6 Long-term investments and marketable securities

	December 31, 2016 Fair value	Acquired and reclass	Proceeds received from redemption	FX impact	Realized and unrealized (loss)/gain	June 30, 2017 Fair value
Marketable securities	\$ 2,066.9	\$ -	\$ -	\$ -	\$ (147.2)	\$ 1,919.7
Long-term investment	\$ 810.0	\$ 666.0	\$ -	\$ -	\$ 65.7	\$ 1,541.7

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

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

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

7 Mineral properties

	Metates			Talapoosa (d)	Escorpion (c)	Total
	Metates (a)	Yarely (b)	Regional			
January 1, 2016	\$ 60,708.8	\$ -	\$ -	\$ 6,640.5	\$ 310.5	\$ 67,659.8
FX effects on translation from measurement to reporting	1,927.6	-	-	-	-	1,927.6
Assays	66.1	-	0.1	-	-	66.2
Concession acquisition	52.5	34.9	59.2	-	0.5	147.1
Camp & supplies	259.0	36.6	30.0	-	-	325.6
Geological & engineering	310.1	137.0	194.0	-	-	641.1
License, dues and fees	-	-	-	1.1	2.1	3.2
Option agreement payment	-	-	-	-	238.3	238.3
Travel	46.7	29.4	36.9	-	7.2	120.2
December 31, 2016	\$ 63,370.8	\$ 237.9	\$ 320.2	\$ 6,641.6	\$ 558.6	\$ 71,129.1
Disposal	-	-	-	(1,963.0)	-	(1,963.0)
FX effects on translation from measurement to reporting	(814.3)	-	-	-	-	(814.3)
Assays	-	54.2	-	-	-	54.2
Concession acquisition	25.6	93.5	3.5	-	-	122.6
Camp & supplies	7.2	80.6	0.4	-	-	88.2
Geological & engineering	38.9	493.4	-	-	-	532.3
License, dues and fees	-	-	-	-	0.9	0.9
Travel	1.9	52.5	0.2	-	3.0	57.6
June 30, 2017	\$ 62,630.1	\$ 1,012.1	\$ 324.3	\$ 4,678.6	\$ 562.5	\$ 69,207.6

a) Metates Project

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

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

b) Yarely

In Sinaloa State, the Company is focused on the Yarely project located 25 kilometers northwest of the planned El Paso process site. An exploration program including mapping, sampling and mechanized trenching continues on several areas of extensive alteration within an open corridor 4 kilometres long and over 2 kilometers wide.

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

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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c) **El Escorpion**

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

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

On January 28, 2011, Hunt Exploration S.A. (a subsidiary of Gunpoint) entered into an agreement with a private owner whereby Hunt would earn a 100% interest in El Escorpion by making cash payments totalling US\$351.0 over five years. The payment schedule was amended on March 23, 2015 per the table below. In August 2015, the Ministry of Energy and Mines granted title to the concession. For six months ended June 30, 2017, the Company has spent \$3.9 (June 30, 2016 – \$178.0) in property payments and administrative expenses.

Carrying amount (US\$)	June 30, 2017
Upon signing the agreement (paid)	\$ 16.0
On January 28, 2012 (paid)	25.0
On January 28, 2013 (paid)	30.0
On January 28, 2014 (paid)	35.0
On March 23, 2015 (paid)	25.0
On July 28, 2015 (paid)	20.0
On January 28, 2016 (see amendment below)	200.0
	<hr/>
	\$ 351.0

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

Carrying amount (US\$)	June 30, 2017
On or before signing the amendment (paid)	\$ 60.0
On May 31, 2016 (paid)	70.0
On September 1, 2016 (paid)	35.0
On December 15, 2016 (paid)	15.0
On December 15, 2016 (payment outstanding)	20.0
	<hr/>
	\$ 200.0

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

On August 19, 2015, the Ministry of Energy and Mines granted title for the El Escorpion concession. In late 2016, the Constitutional Court of Guatemala temporarily suspended permits for several mineral concessions in the country including El Escorpion. The Constitutional Court is seeking a review of the stakeholder engagement process. Gunpoint has initiated a follow up consultation with the local community to support the cancellation of the suspension. The property vendor has agreed to an extension of the final payment of \$20,000 to purchase El Escorpion until the exploration suspension is lifted.

d) **Talapoosa**

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

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payments required for the land owned subject to leases with private land owners (the “Fee Leased Land”). The current annual payments for Fee Leased Land are approximately US\$42.4.

On March 31, 2015, the Company closed a transaction (“Option Agreement”) with Timberline Resources Corporation (“Timberline”), granting Timberline an option (the “Option”) to acquire from Gunpoint’s subsidiary, American Gold Capital US Inc. (“American Gold”), a 100% interest in the Talapoosa gold project located in Nevada. In consideration for the Option, Timberline has paid US\$300.0 thousand and issued 2.0 million shares to American Gold. The vesting schedule of Timberline’s shares issued is set out below. The market value of the Timberline shares on the date of granting was \$1,639.6.

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

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

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

The amended terms of the Option Agreement are as follows:

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

During the six months ended June 30, 2017, the Company received \$1,343.0 (US\$1.0 million) cash and one million common shares of Timberline. The market value of one million Timberline shares at the date of granting was \$620.0. Total consideration was \$1,963.0.

Upon exercise of the Extended Option, Timberline will have paid US\$11.3 million and issued 5.5 million shares to the Company to acquire a 100% interest in Talapoosa. The Company will retain a 1% NSR in Talapoosa which is not subject to a buyback option. As at June 30, 2017, the Company owns 9% of the outstanding shares issued in Timberline. The market value of 3.0 million Timberline shares was \$1,541.7 (December 31, 2016 - \$810.0 – 2 million shares)

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e) La Cecilia

In 2010, the Company acquired La Cecilia from Chesapeake Gold Corp. La Cecilia is located in Sonora State Mexico and comprises three mineral concessions totalling 794 hectares. On January 31, 2017, the Company entered into an agreement (“Option Agreement”) with Riverside Resources Inc. (TSX-V: RRI) whereby Riverside has been granted an option to acquire a 100% interest in Gunpoint’s La Cecilia-Margarita gold project (“La Cecilia”) located in Sonora State, Mexico.

Pursuant to Option Agreement and subject to TSX Venture Exchange approval, Riverside has the right to acquire a 100% interest in La Cecilia by making \$250,000 in cash payments and issuing 1.0 million Riverside (Received) common shares to the Company per following schedule:

- A payment of \$10.0 upon execution of the Option Agreement (Received);
- A \$15.0 cash payment and issuance of 100,000 common shares of Riverside concurrent with the execution of registerable agreement in Mexico (“the Effective Date”) (Received);
- A \$25.0 cash payment and issuance of 200,000 common shares of Riverside on or before the first anniversary of the Effective Date;
- A \$75.0 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; and
- A \$125.0 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of Effective Date.

Riverside will be responsible for the property taxes and holding costs to maintain La Cecilia in good standing during the term of the agreement. As at June 30, 2017 the La Cecilia property is currently recorded at \$nil (2016 - \$nil) value due to a previous impairment. The consideration received from Riverside will be recognised as income.

8 Equipment

	Cost December 31, 2015	Disposals	Cost December 31, 2016	Disposals	Cost June 30, 2017
Office and furniture	\$ 35.5	\$ (35.5)	\$ -	\$ -	\$ -
Vehicles	306.9	-	306.9	-	306.9
Exploration equipment	178.1	(62.8)	115.3	-	115.3
	\$ 520.5	\$ (98.3)	\$ 422.2	\$ -	422.2

	Accumulated Depreciation December 31, 2015	Depreciation, & amortization	Disposal	Accumulated Depreciation December 31, 2016	Depreciation, & amortization	Accumulated Depreciation June 30, 2017
Office and furniture	\$ (31.6)	\$ (1.2)	\$ 32.8	\$ -	\$ -	\$ -
Vehicles	(276.6)	(11.9)	-	(288.5)	(5.8)	(294.3)
Exploration equipment	(109.4)	(3.9)	58.8	(54.5)	(5.7)	(60.2)
	\$ (417.6)	\$ (17.0)	\$ 91.6	\$ (343.0)	\$ (11.5)	\$ (354.5)

Carrying amount	June 30, 2017	December 31, 2016
Vehicles	\$ 12.6	\$ 18.4
Exploration equipment	55.1	60.8

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	\$	67.7	\$	79.2
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9 Accounts payable and accrued liabilities

	June 30, 2017	December 31, 2016
Trade payables	\$ 886.8	\$ 1,060.0
Accrued liabilities	-	-
	\$ 886.8	\$ 1,060.0

10 Convertible debenture

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

On October 14, 2016, Gunpoint repaid the principal of \$50.0 (in cash) to two of the three convertible debenture holders. All interest accrued related to two convertible debenture holder's principal were waived as part of the redemption. As at June 30, 2017, Gunpoint still has one convertible debenture in the principal amount of \$700.0, (plus related accrued interest). The outstanding amount is indebted to the President of the Company.

Interest accrued for the period ended June 30, 2017 was 17.5 (June 30, 2016 - \$18.8). As at June 30, 2017, the total accrued interest related to the remaining outstanding First Debenture was \$185.2 (December 31, 2016 - \$167.7) and was included in account payables and accrued liabilities.

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 June 30, 2017, 375,000 (December 31, 2016 – 375,000) of the issued and outstanding common shares were held in escrow, subject to release upon approval of regulatory authorities.
- During the six months ended June 30, 2017, one option holder exercised 37,500 stock options at an exercise price of \$2.15 for total proceeds of \$80.6.

12 Share based compensation

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

The Company also has a Stock Bonus Plan ("Bonus Plan"). The Bonus Plan enables bonus common shares to be issued to any full-time or part-time employee or independent contractor (whether or not a director) of the Company or any of its subsidiaries who has rendered

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services that contributed to the success of the Company or any of its subsidiaries. Grants of bonus common shares will be on terms that the Compensation Committee of the Board may determine, within the limitations of the Bonus Plan and subject to the rules and policies of applicable regulatory authorities. The maximum number of common shares issuable under the Bonus Plan is 200,000 common shares, representing approximately 0.52% of the current issued and outstanding common shares. In addition, in any calendar year, the number of bonus common shares issuable to insiders of the Company, also taking options into account, is limited to 0.5% of the total number of common shares which were issued and outstanding at the end of the preceding calendar year, 10% of the issued and outstanding common shares, and no more than 5% of the issued and outstanding shares to any one person in a 12-month period.

	June 30, 2017		December 31, 2016	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Outstanding – beginning of year	5,689	\$ 4.09	3,598	\$ 5.28
Granted	-	-	2,235	2.15
Exercised	(38)	2.15	(101)	3.30
Forfeited/Expired	(940)	10.75	(43)	4.52
Outstanding – end of period	4,711	\$ 2.78	5,689	\$ 4.09

On March 21, 2016, the Company granted incentive options to directors, officers, employees and consultant to purchase 2,235,000 common shares of the Company at an exercise price of \$2.15 per share for a term of 5 years, expiring March 21, 2021. The options will vest and exercisable on the basis of 25% annually commencing March 21, 2017, the first anniversary of the date of the option grant. The weighted average fair value of stock options granted was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 5-year, volatility of 58%, annual rate of dividends of 0%, and a risk-free rate of 0.66%.

The following table discloses the number of options and vested options outstanding as at June 30, 2017:

Number of options (*000s)	Number of options vested (*000s)	Exercise price	Expiry Date
2,514	1,207	\$3.30	29-Aug-24
2,197	521	2.15	21-Mar-21
4,711	1,728	2.78	

During the six months ended June 30, 2017, the Company recognized \$873.3 (2016 - \$1,224.0) as share-based compensation expense, of which \$896.8 (2016 - \$1,195.1) relates to the Company and \$23.5 (gain) (2016 - \$28.9) relates to Gunpoint, respectively.

13 Related party transactions

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

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

The Company incurred the following expenses with related parties during the six months ended June 30, 2017 and 2016:

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	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Consulting	\$ 49.8	\$ 50.5	\$ 102.9	\$ 174.0
Legal	9.0	5.5	9.5	5.5
Management fees	62.5	62.5	125.0	125.0
Rental	6.0	6.0	12.0	12.0

During the six months period ended June 30, 2017 and 2016, legal fees were paid or accrued to a legal firm of which one of the partners is the Corporate Secretary of the Company. Management and rental fees were paid or accrued to a Company owned by an officer of the Company. Consulting fees were paid or accrued to a director of the Company. These expenses were measured at the exchange amounts agreed upon by the parties.

As at June 30, 2017 the Company had amounts payable of \$473.4 (December 31, 2016 - \$313.1) to these parties. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

14 Capital management

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

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

	June 30, 2017	December 31, 2016
Total equity for owners	\$ 83,942.7	\$ 85,239.9
Less: cash and cash equivalents	(21,108.4)	(21,214.4)
	\$ 62,834.3	\$ 64,024.5

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 June 30, 2017, 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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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 7. The Company's assets by country are:

June 30, 2017	Canada	Mexico	USA	Total
Cash and cash equivalent	\$ 20,985.2	\$ 79.6	\$ 43.6	\$ 21,108.4
Accounts receivable and prepaid expense	119.2	201.2	-	320.4
Marketable securities	1,919.7	-	-	1,919.7
	23,024.1	280.8	43.6	23,348.5
Long term investment	72.6	-	1,469.1	1,541.7
Investment in mineral properties	-	64,529.0	4,678.6	69,207.6
Other long-term assets	33.5	-	177.9	211.4
Fixed assets	-	67.7	-	67.7
Total assets	\$ 23,130.2	\$ 64,877.5	\$ 6,369.2	\$ 94,376.9
Segment loss for the three months ended	\$ 503.9	\$ 72.0	\$ 1.7	\$ 574.2
Segment loss for the six months ended	\$ 1,249.0	\$ 147.1	\$ 13.6	\$ 1,409.7

June 30, 2016	Canada	Mexico	USA	Total
Cash and cash equivalent	\$ 22,046.8	\$ 43.1	\$ -	\$ 22,089.9
Accounts receivable and prepaid expense	52.6	184.2	-	236.8
Marketable securities	2,201.6	-	-	2,201.6
	24,301.0	227.3	-	24,528.3
Long term investment	1,214.9	-	-	1,214.9
Investment in mineral properties	-	62,996.3	6,641.6	69,637.9
Other long-term assets	213.9	-	-	213.9
Fixed assets	-	82.2	-	82.2
Total assets	\$ 25,729.8	\$ 63,305.8	\$ 6,641.6	\$ 95,677.2
Segment loss for the three months ended	\$ (946.7)	\$ (67.0)	\$ (72.9)	\$ (1,086.6)
Segment loss for the six months ended	\$ (1,701.7)	\$ (174.1)	\$ (272.0)	\$ (2,147.8)

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