

NOTICE

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

Third quarter financial statements for the nine months period ended September 30, 2019 and 2018 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 Financial Statements
Three and Nine Months Ended September 30, 2019 (unaudited)
(amount expressed in thousands of Canadian dollars, except where indicated)

Chesapeake Gold Corp.

Condensed Consolidated Interim Statements of Financial Position

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

	Note	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 16,233.5	\$ 15,627.6
Other receivables and prepaid expenses	4	441.2	440.4
Marketable securities	6	1,401.7	1,310.7
		18,076.4	17,378.7
Long-term investments	6	438.8	480.3
Investment in mineral properties	7	86,708.2	73,355.1
Right of use asset	2,10	9.5	-
Equipment	8	34.3	53.1
Reclamation bond		243.1	249.2
Total assets		\$ 105,510.3	\$ 91,516.4
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,363.1	\$ 1,420.3
Lease liabilities		5.1	-
Promissory note	9	700.0	700.0
		2,068.2	2,120.3
Deferred income tax liabilities		6,030.2	6,030.1
Lease liabilities	2,10	5.1	-
Decommissioning obligation		311.4	318.0
Total liabilities		8,414.9	8,468.4
Shareholders' equity			
Share capital	11	162,801.9	148,353.3
Reserves		26,050.9	25,256.0
Deficit		(93,379.1)	(92,206.1)
		95,473.7	81,403.2
Non-controlling interest ("NCI")		1,621.7	1,644.8
Total shareholders' equity		97,095.4	83,048.0
Total liabilities and shareholders' equity		\$ 105,510.3	\$ 91,516.4

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)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
General and administration expenses					
Depreciation	8	\$ (4.1)	\$ (2.9)	\$ (18.7)	\$ (14.2)
Exploration		(63.3)	(59.9)	(162.3)	(175.0)
General and administrative		(165.8)	(120.5)	(498.8)	(446.1)
Management fees	13	(50.0)	(62.5)	(150.0)	(187.5)
Professional fees		(35.0)	(17.2)	(118.4)	(104.9)
Share-based compensation	12	(150.1)	(368.7)	(506.9)	(1,195.2)
		(468.3)	(631.7)	(1,455.1)	(2,122.9)
Other (expenses) income, net					
Finance income		106.7	87.4	331.9	253.0
Finance cost		(119.2)	(31.7)	(188.4)	(89.2)
Foreign exchange (loss) gain		(23.4)	9.8	(46.3)	(10.0)
Unrealized losses on investment		86.1	(180.3)	1.5	(486.1)
Other income		4.5	3.6	145.4	85.9
Net loss		(413.6)	(742.9)	(1,211.0)	(2,369.3)
Other comprehensive loss					
Items that may be reclassified subsequently to net earnings:					
Cumulative translation adjustment		143.5	(305.2)	302.9	(324.6)
Total comprehensive loss		(270.1)	(1,048.1)	(908.1)	(2,693.9)
Net income (loss) attributable to					
Owners of the Company		(409.6)	(701.9)	(1,173.0)	(2,251.6)
Non-controlling interest		(4.0)	(41.0)	(38.0)	(117.7)
		(413.6)	(742.9)	(1,211.0)	(2,369.3)
Other comprehensive (loss) income					
Owners of the Company		143.5	(305.2)	302.9	(324.6)
Non-controlling interest		-	-	-	-
Total other comprehensive gain (loss)		143.5	(305.2)	302.9	(324.6)
Loss per share – basic and diluted		\$ (0.03)	\$ (0.05)	\$ (0.03)	\$ (0.05)
Weighted average shares outstanding (000's) – basic and diluted		45,380	44,567	45,380	44,567
Total shares issued and outstanding (000's)		51,242	44,574	51,242	44,574

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

Chesapeake Gold Corp.

Condensed Consolidated Interim Statement of Changes in Equity

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

	Notes	Attributable to Shareholders of the Company							Total for owners	NCI	Total equity
		Shares ('000)	Share capital	Share-based compensation reserves	Foreign translation reserves	Investment revaluation reserves	Deficit				
Balance at January 1, 2019		44,574	\$ 148,353.3	\$ 23,910.6	\$ 1,345.4	\$ -	\$ (92,206.1)	\$ 81,403.2	\$ 1,644.8	\$ 83,048.0	
Net loss for the year		-	-	-	-	-	(1,173.0)	(1,173.0)	(38.0)	(1,211.0)	
Cumulative translation adjustment		-	-	-	302.9	-	-	302.9	-	302.9	
Private placement		6,668	15,003	-	-	-	-	15,003	-	15,003	
Share issuance costs		-	(554.4)	-	-	-	-	(554.4)	-	(554.4)	
Share-based compensation charges	12	-	-	492.0	-	-	-	492.0	14.9	506.9	
Balance at September 30, 2019		51,242	\$ 162,801.9	\$ 24,402.6	\$ 1,648.3	\$ -	\$ (93,379.1)	\$ 95,473.7	\$ 1,621.7	\$ 97,095.4	
Balance at January 1, 2018		44,555	\$ 148,293.9	\$ 22,540.5	\$ 2,057.5	\$ 571.8	\$ (89,071.3)	\$ 84,392.4	\$ 1,931.7	\$ 86,324.1	
Net loss for the year		-	-	-	-	-	(2,251.6)	(2,251.6)	(117.7)	(2,369.3)	
Cumulative translation adjustment		-	-	-	(324.6)	-	-	(324.6)	-	(324.6)	
Options exercised		19	59.4	(19.1)	-	-	-	40.3	-	40.3	
Reserves to deficit		-	-	-	-	(571.8)	571.8	-	-	-	
Share-based compensation charges		-	-	1,183.8	-	-	-	1,183.8	11.4	1,195.2	
Balance at September 30, 2018		44,574	\$ 148,353.3	\$ 23,705.2	\$ 1,732.9	\$ -	\$ (90,751.1)	\$ 83,040.3	\$ 1,825.4	\$ 84,865.7	

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

Chesapeake Gold Corp.

Condensed Consolidated Interim Statements of Cash Flows

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Cash used in operating activities					
Net loss for the quarter		\$ (413.6)	\$ (742.9)	\$ (1,211.0)	\$ (2,369.3)
Items not affecting cash					
Depreciation	8	4.1	2.9	18.7	14.2
Unrealized foreign exchange loss		23.4	(9.8)	46.3	10.0
Finance cost - lease		0.5	-	1.8	-
Unrealized (gain) losses from investment		(86.1)	180.3	1.5	486.1
Share-based compensation charges	12	150.1	368.7	506.9	1,195.2
Other income		-	-	(48.0)	-
		(321.6)	(200.8)	(686.8)	(663.8)
Change in non-cash operating working capital					
Increase in accounts receivable and prepaid expense		(13.4)	(4.8)	(0.8)	(108.1)
Increase (decrease) in accounts payable and accruals		(120.3)	128.8	75.3	235.6
		(455.3)	(76.8)	(612.3)	(536.3)
Cash flows (used in) from financing activities					
Repayment of related party loan	7(a), 13	(12,055.6)	-	(12,055.6)	-
Proceeds from private placements		15,003.0	-	15,003.0	40.3
Share issuance costs		(554.4)	-	(554.4)	-
		2,393.0	-	2,393.0	40.3
Cash flows from (used in) investing activities					
Proceeds from sale of marketable securities		-	-	-	225.0
Lease – payment		(1.6)	-	(5.0)	-
Mineral property expenditures		(495.1)	(764.5)	(1,080.2)	(2,104.6)
		(496.7)	(764.5)	(1,085.2)	(1,879.6)
Increase (decrease) in cash and cash equivalents		1,441.0	(841.3)	695.5	(2,375.6)
Foreign exchange impact on cash and cash equivalents		(13.4)	4.5	(89.6)	(125.0)
Cash and cash equivalents – beginning of period		14,805.9	17,250.4	15,627.6	18,914.2
Cash and cash equivalents – end of period		\$ 16,233.5	\$ 16,413.6	\$ 16,233.5	\$ 16,413.6
Cash		\$ 845.8	\$ 1,122.9	\$ 845.8	\$ 1,122.9
Short term investment		15,387.7	15,290.7	15,387.7	15,290.7
Cash and cash equivalents – end of period		\$ 16,233.5	\$ 16,413.6	\$ 16,233.5	\$ 16,413.6
Supplemental cash flow information					
Related party loan used for mineral property expenditures	7(a),13	\$ 11,972.2	\$ -	\$ 11,972.2	\$ -

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 nine months ended September 30, 2019 and 2018

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

1 Nature of operations

Chesapeake Gold Corp. (“Chesapeake” or the “Company”) is a Canadian mining company focused on the exploration, 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 Metates project in Durango State, Mexico and generating a pipeline of exploration projects in northwestern 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 United States, under the symbol “CHPGF”. The Company’s head office is at Suite 201 – 1512 Yew Street, Vancouver BC, V6K 3E4, Canada.

The Company currently holds a 74% interest in Gunpoint Exploration Ltd. (“Gunpoint”), a Vancouver based company listed on the TSX Venture Exchange.

These unaudited interim 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 \$1,211.0 (2018 - \$2,369.3) for nine months ended September 30, 2019, and an accumulated deficit of \$93,379.1 as at September 30, 2019 (December 31, 2018 - \$92,206.1). The Company’s working capital as at September 30, 2019 is \$16,008.2 (December 31, 2018 - \$15,258.4). 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. Notwithstanding the uncertainty of the mining sector and other key economic variables, the Company has sufficient resources to fund its exploration and development operations for more than a year.

2 Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018.

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2018. In addition, the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended December 31, 2018.

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 29, 2019.

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

New Accounting Standards Adopted During The Period

IFRS 16 – Leases

On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases

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Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

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as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at January 1, 2019, the Company recognized \$13.8 in right-of-use assets and \$13.8 in lease liabilities as summarized below.

Minimum lease payments under operating leases as of December 31, 2018	\$ 17.8
Effect from discounting at the incremental borrowing rate as of January 1, 2019	<u>(4.0)</u>
	13.8
Lease liabilities recognized as of September 30, 2019	10.2
<u>Right-of-use assets recognized as of September 30, 2019</u>	<u>\$ 9.5</u>

The lease liabilities were discounted at a discount rate of 20% as at January 1, 2019.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

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 Corporation 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

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- 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 profit or 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 profit or loss on a straight-line basis over the lease term.

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 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 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 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 investment in mineral properties. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.
- iv. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Accounting Estimates and Assumptions

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

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcomes of these tax-related matters are different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model.
- iii. Management's assessment regarding the Company's ability to continue as a going concern.
- iv. Other significant accounting estimates include valuation of other receivables, marketable securities, and long-term investments, carrying value of mineral properties, and the useful lives and carrying value of equipment.

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

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

4 Other receivables and prepaid expenses

	September 30, 2019	December 31, 2018
Other receivables	\$ 256.8	\$ 261.8
Prepaid expenses	184.4	178.6
	\$ 441.2	\$ 440.4

5 Financial instruments and risk management

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	September 30, 2019		December 31, 2018	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
Cash and cash equivalents	16,233.5	16,233.5	15,627.6	15,627.6
Marketable securities	1,401.7	1,401.7	1,310.7	1,310.7
Long-term investments	438.8	438.8	480.3	480.3
Financial liabilities				
Accounts payable and accrued liabilities	1,363.1	1,363.1	1,420.3	1,420.3
Promissory note	700.0	700.0	700.0	700.0

Fair value measurements

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

	Level 1	Level 2	Level 3	Total, September 30, 2019
Cash and cash equivalents	\$ 16,233.5	\$ -	\$ -	\$ 16,233.5
Marketable securities	1,401.7	-	-	1,401.7
Long-term investments	438.8	-	-	438.8
	\$ 18,074.0	\$ -	\$ -	\$ 18,074.0

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

	Level 1	Level 2	Level 3	Total, December 31, 2018
Cash and cash equivalents	\$ 15,627.6	\$ -	\$ -	\$ 15,627.6
Marketable securities	1,310.7	-	-	1,310.7
Long-term investments	480.3	-	-	480.3
	\$ 17,418.6	\$ -	\$ -	\$ 17,418.6

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the nine months ended September 30, 2019.

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 marketable securities and long-term investments are held in bonds and common shares of publicly traded companies. The carrying amount of the financial assets represents the maximum credit exposure. The Company's cash 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 become due. The Company settles its financial liabilities using its cash. 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 and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

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Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

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

6 Long-term investments and marketable securities

	December 31, 2018 Fair value	Acquired and reclass	Proceeds received from redemption	Realized and unrealized (loss)/gain	September 30, 2019 Fair value
Marketable securities	\$ 1,310.7	\$ -	\$ -	\$ 91.0	\$ 1,401.7
Long-term investments	\$ 480.3	\$ 48.0	\$ -	\$ (89.5)	\$ 438.8

During the period ended September 30, 2019, Gunpoint acquired through an option agreement (see note 7) 600,000 common shares of Riverside Resources Inc. (valued at \$93.0).

	December 31, 2017 Fair value	Acquired and reclass	Proceeds received from redemption	Realized and unrealized loss	December 31, 2018 Fair value
Marketable securities	\$ 1,731.0	\$ -	\$ (225.0)	\$ (195.3)	\$ 1,310.7
Long-term investments	\$ 1,029.6	\$ 52.0	\$ -	\$ (601.3)	\$ 480.3

Chesapeake Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

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

7 Investment in mineral properties

	Metates (a)	Yarely (b)	Regional (b)	Escorpion (c)	Talapoosa (d)	Total
December 31, 2017	\$ 63,855.8	\$ 2,574.9	\$ 345.3	\$ 566.7	\$ 4,678.6	\$ 72,021.3
Impairment	-	-	-	(571.2)	-	(571.2)
Effect of foreign exchange on translation	(712.1)	-	-	-	-	(712.1)
Assays	-	141.7	-	-	-	141.7
Concession acquisition	56.3	243.1	25.5	-	-	324.9
Community, taxes, camp and supplies	423.4	227.6	21.3	-	-	672.3
Drilling	-	275.8	-	-	-	275.8
Environmental	-	2.7	-	-	-	2.7
Geological & engineering	52.8	729.2	-	-	15.2	797.2
License, dues, and fees	-	-	-	-	229.6	229.6
Travel	7.0	120.3	34.6	3.1	-	165.0
Other	-	-	-	1.4	6.5	7.9
December 31, 2018	\$ 63,683.2	\$ 4,315.3	\$ 426.7	\$ -	\$ 4,929.9	\$ 73,355.1
Effect of foreign exchange on translation	302.9	-	-	-	-	302.9
Assays	-	27.0	19.7	-	-	46.7
Concession acquisition	70.3	58.1	157.1	-	-	285.5
Community, taxes, camp and supplies	93.1	-	89.8	-	-	182.9
Drilling	-	-	-	-	-	-
Environmental	-	-	-	-	-	-
Geological & engineering	32.5	-	203.4	-	5.6	241.5
License, dues, and fees	-	-	-	-	237.5	237.5
Travel	9.8	-	67.6	-	-	77.4
Other	11,972.2	-	-	-	6.5	11,978.7
September 30, 2019	\$ 76,164.0	\$ 4,400.4	\$ 964.3	\$ -	\$ 5,179.5	\$ 86,708.2

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 Wheaton Precious Metals Corp. (formerly known as Silver Wheaton Corp.) (“WPM”) 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 WPM for US\$9,000.0 with WPM continuing to hold a 0.5% interest in the Metates NSR. Also as part of the transaction, Chesapeake through AGM, will hold a right of first refusal to purchase the Metates NSR in the event WPM elects to sell the Metates NSR to a third party, on the same terms and conditions as the third party’s offer. The Agreement also contains customary terms and conditions for a royalty transaction. The Company has also entered into a right of first refusal agreement with WPM whereby the Company has granted WPM a right of first refusal on any future silver stream or royalty for which the Company receives and accepts an offer to purchase, on the same terms and conditions as the third party’s offer.

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On August 9, 2019, the Company exercised the option to re-purchase 1% of the NSR for \$11,972.2 (US\$9.0 million) from WPM. The funds were paid by the President of the Company directly to WPM, resulting in a related party loan. The related party loan and interest were fully repaid during the current quarter. Please refer to Note 13 to Related Party Transaction to finance this purchase.

b) Yarely

In Sinaloa State, Mexico, the Company has undertaken mapping, sampling, mechanized trenching and ground geophysics on the Yarely project located 25 kilometers northwest of the planned El Paso process site. Regional reconnaissance was completed on the unexplored northeast and southwest areas in Yarely. In total, seven prospects have been identified and systematically advanced including exploratory drilling on three targets.

d) Talapoosa

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

On March 31, 2015, the Company entered into an agreement ("Option Agreement") with Timberline Resources Corporation ("Timberline"), granting Timberline an option (the "Option") to acquire from Gunpoint's subsidiary, American Gold US, a 100% interest in Talapoosa. In consideration for the Option, Timberline paid US\$300.0 and issued 2.0 million common shares to American Gold with a fair value of \$1,639.6.

Under the Option Agreement, Timberline had until September 12, 2017 to exercise the Option to acquire a 100% interest in Talapoosa (the "Option Period") by making a US\$10.0 million cash payment to American Gold US. For a period of five years after the exercise of the Option, Timberline was required to pay American Gold US an additional US\$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averaged US\$1,600 per ounce or greater for a period of ninety consecutive trading days.. Gunpoint retained a 1% net smelter royalty ("NSR") on Talapoosa which Timberline could purchase for US\$3.0 million.

On October 20, 2016, the Option Agreement with Timberline was amended. Gunpoint agreed to extend the option ("Extended Option") by approximately 18 months to March 31, 2018 ("Amended Option Period"). In consideration for the extension, Timberline paid an additional US\$1.0 million and issued one million common shares to Gunpoint. In addition, Timberline's repurchase option for Gunpoint's 1% ("NSR") on Talapoosa was terminated.

On March 31, 2018, Timberline did not make the US\$2.0 million option payment due to Gunpoint. Timberline's option to acquire the Talapoosa gold project was terminated and 100% ownership reverted back to Gunpoint. In total, Gunpoint received pursuant to the Option Agreement, \$1,343.0 (US\$1.0 million) and 3.0 million common shares of Timberline. As at September 30, 2019, the market value of the 3.0 million common shares of Timberline was \$300.0 (December 31, 2018 - \$270.0).

e) La Cecilia

In 2010, Gunpoint acquired the La Cecilia property ("La Cecilia") from the Company. La Cecilia is located in Sonora State, Mexico and comprises three mineral concessions totalling 794 hectares. On January 31, 2017, Gunpoint entered into an agreement ("Option Agreement") with Riverside Resources Inc. ("Riverside") whereby Riverside has an option to acquire a 100% interest in La Cecilia.

To acquire a 100% interest in La Cecilia, Riverside will provide \$250,000 in cash payments and issue 1.0 million common shares to Gunpoint per the 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 (Received);
- A \$75.0 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date (Received); and
- A \$125.0 cash payment and issuance of 400,000 common shares of Riverside on or before the third anniversary of the Effective Date.

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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 September 30, 2019, the La Cecilia property is recorded at \$nil (December 31, 2018 - \$nil) value due to a previous impairment. The consideration received from Riverside will be recognized as income in the consolidated statement of operations.

(f) **Cerro Minas (Oaxaca State, Mexico)**

In 2010, Gunpoint acquired the Cerro Minas project (“Cerro Minas”) from the Company. Cerro Minas is located 130 kilometers southwest of Oaxaca City and comprises 899 hectares.

On October 16, 2019, Gunpoint entered into an agreement (“Option Agreement”) with Megastar Development Corp. (“Megastar”) whereby Megastar was granted an option to acquire a 100% in Cerro Minas. Pursuant to the Option Agreement, Megastar can acquire Cerro Minas by making US\$100.0 in cash payments and issuing 800,000 Megastar common shares to Gunpoint over three years per the following schedule:

- A payment of US\$10.0 and 100,000 common shares of Megastar on the Effective Date (TSX Venture approval); Received
- A US\$20.0 cash payment and 150,000 common shares of Megastar on or before the first anniversary of the Effective Date
- A US\$30.0 cash payment and 250,000 common shares of Megastar on or before the second anniversary of the Effective Date; and
- A US\$40.0 cash payment and 300,000 common shares of Megastar on or before the third anniversary of the Effective Date.

Gunpoint retains a 1.5% net smelter return royalty on Cerro Minas which Megastar has the option to purchase 0.5% net smelter royalty for US\$1.0 million dollars. Megastar will be responsible for the property taxes and holding costs (including surface right agreement) to maintain Cerro Minas in good standing during the term of the agreement.

8 Equipment

	Cost December 31, 2018	Additions	Cost September 30, 2019
Vehicles	\$ 306.9	\$ -	\$ 306.9
Exploration equipment	122.8	-	122.8
	\$ 429.7	\$ -	\$ 429.7

	Accumulated Depreciation December 31, 2017	Depreciation expense – year ended Dec 31, 2018	Accumulated Depreciation December 31, 2018	Depreciation expense	Accumulated Depreciation September 30, 2019
Vehicles	\$ (298.3)	\$ (8.6)	\$ (306.9)	\$ -	\$ (306.9)
Exploration equipment	(61.5)	(8.3)	(69.8)	(18.7)	(88.5)
	\$ (359.8)	\$ (16.9)	\$ (376.7)	\$ (18.7)	\$ (395.4)

Carrying amount	September 30, 2019	December 31, 2018
Exploration equipment	\$ 34.3	\$ 53.1
	\$ 34.3	\$ 53.1

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9 Promissory note

As at September 30, 2019, Gunpoint has a promissory note in the principal amount of \$700.0 (2018 - \$700.0) due to the President of the Company. The promissory note is unsecured, bears interest at 5% per annum and is due on demand.

Interest accrued on the promissory note for the nine months ended September 30, 2019 was \$26.3 (September 30, 2018 - \$26.3).

As at September 30, 2019, the total accrued interest related to the promissory note was \$264.0 (September 30, 2018 - \$229.0) and included in the account payables and accrued liabilities.

10 Lease liability

Right of use asset - office	September 30, 2019	December 31, 2018
Opening balance	\$ -	\$ -
Recognized on adoption of IFRS 16 (note 2)	13.8	-
Less: depreciation	(4.3)	-
	\$ 9.5	\$ -

Lease liability	September 30, 2019	December 31, 2018
Lease liabilities	\$ 10.2	\$ -
Less: current portion	(5.1)	-
Classified as long-term liability	\$ 5.1	\$ -

Undiscounted lease payments	September 30, 2019	December 31, 2018
Not later than a year	\$ 6.7	\$ -
Later than a year	5.6	-
	\$ 12.3	\$ -

The Company's leases relate to office and storage leases in Mexico, United States and Canada. Interest expense on the lease liabilities for the nine months ended September 30, 2019 is \$1.9 (2018 - \$nil). Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term. During the period ended September 30, 2019, the Company incurred \$4.0 for leases with variable lease payments not included in lease 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.

- On August 28, 2019 the Company closed a bought-deal private placement of 5,334,000 common shares at a price of \$2.25 per common share for gross proceeds of \$12,001.5. The underwriter received a 4% cash commission of the gross proceeds for the brokered financing

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in the amount of \$480.1. In addition, The Company issued a non-brokered private placement of 1,334,000 common shares at a price of \$2.25 per common share for gross proceeds of \$3,001.5. Professional fees related to the financing were \$74.3.

b) As at September 30, 2019, 375,000 common shares were held in escrow, subject to release upon approval of the regulatory authorities.

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 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.

	September 30, 2019		December 31, 2018	
	Number of shares (000's)	Weighted average exercise price	Number of shares (000's)	Weighted average exercise price
Outstanding – beginning of year	5,233	\$ 2.92	5,501	\$ 2.92
Exercised	-	-	(19)	2.15
Forfeited/Expired	-	-	(249)	2.95
Outstanding – end of year	5,233	\$ 2.92	5,233	\$ 2.92

The weighted average contractual life of outstanding stock options as at September 30, 2019 was 3.2 years. The following table discloses the number of options and vested options outstanding as at September 30, 2019:

Number of options ('000s)	Number of options vested ('000s)	Exercise price	Expiry Date
2,340	2,340	\$ 3.30	29-Aug-24
2,103	1,583	2.15	21-Mar-21
790	395	3.75	27-Sept-22
5,233	4,318	2.91	

During the nine months ended September 30, 2019, the Company recognized \$506.9 (2018 - \$1,195.2) as share-based compensation expense, of which \$447.8 (2018 - \$1,149.9) relates to the Company and \$59.1 (2018 - \$45.3) to Gunpoint.

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The weighted average contractual life of outstanding stock options as at December 31, 2018 was 4.0 years. The following table discloses the number of options and vested options outstanding as at December 31, 2018:

Number of options (‘000s)	Number of options vested (‘000s)	Exercise price	Expiry Date
2,340	2,340	\$ 3.30	29-Aug-24
2,103	1,061	2.15	21-Mar-21
790	198	3.75	27-Sept-22
5,233	3,599	2.92	

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 three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Consulting	\$ 17.2	\$ 35.4	\$ 77.4	\$ 105.1
Legal	5.5	-	5.5	-
Management fees	50.0	62.5	150.0	187.5
Rental	6.0	6.0	18.0	18.0

Management and rental fees were paid or accrued to the President and a company controlled by the President. Consulting fees were paid or accrued to a director of the Company.

As at September 30, 2019 the Company had amounts payable of \$850.0 (December 31, 2018 - \$889.1) to related parties, of which \$839.5 (December 31, 2018 - \$863.1) were due to a company controlled by the President. These amounts are unsecured and non-interest bearing, due on demand and are included in accounts payable and accrued liabilities.

During August 2019, the Company obtained an unsecured bridge loan from the President to purchase 1% of the NSR of Metates (see Note 7(a)). The principle loan was \$11,972.2 (US\$9.0 million) with an interest rate of 5% per annum. The loan (\$11,972.2) and accrued interest (\$83.4), totalling \$12,055.6, was fully repaid during the quarter.

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:

	September 30, 2019	December 31, 2018
Total equity for owners	\$ 95,473.7	\$ 81,403.2
Less: cash and cash equivalents	(16,233.5)	(15,627.6)
	79,240.2	65,775.6

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The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at September 30, 2019, 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 7. The Company's assets by country are:

September 30, 2019	Canada	Mexico	USA	Total
Cash and cash equivalents	\$ 16,191.5	\$ 3.7	\$ 38.3	\$ 16,233.5
Other receivables and prepaid expenses	158.7	282.5	-	441.2
Marketable securities	1,401.7	-	-	1,401.7
	17,751.9	286.2	38.3	18,076.4
Long-term investments	138.8	-	300.0	438.8
Investment in mineral properties	-	81,528.7	5,179.5	86,708.2
Reclamation bonds	33.6	-	209.5	243.1
Right of use asset	-	9.5	-	9.5
Equipment	-	34.3	-	34.3
Total assets	\$ 17,924.3	\$ 81,858.7	\$ 5,727.3	\$ 105,510.3
Segment (loss) income for the three months ended	\$ (324.1)	\$ (73.5)	\$ (16.0)	\$ (413.6)
Segment (loss) income for the nine months ended	\$ (838.1)	\$ (222.4)	\$ (150.5)	\$ (1,211.0)

September 30, 2018	Canada	Mexico	USA	Total
Cash and cash equivalents	\$ 16,366.0	\$ 5.6	\$ 42.0	\$ 16,413.6
Other receivables and prepaid expenses	143.7	280.6	-	424.3
Marketable securities	1,504.9	-	-	1,504.9
	18,014.6	286.2	42.0	18,342.8
Long-term investments	281.6	-	315.0	596.6
Investment in mineral properties	-	68,892.9	4,908.4	73,801.3
Reclamation bonds	33.5	-	177.5	211.0
Equipment	-	48.2	-	48.2
Total assets	\$ 18,329.7	\$ 69,227.3	\$ 5,442.9	\$ 92,999.9
Segment (loss) income for the three months ended	\$ (499.1)	\$ (81.3)	\$ (162.5)	\$ (742.9)
Segment (loss) income for the nine months ended	\$ (1,699.9)	\$ (203.1)	\$ (466.3)	\$ (2,369.3)