Management's Discussion and Analysis

Second Quarter Report – June 30, 2019

(Expressed in Canadian dollars, unless otherwise noted)

August 29, 2019

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.chesapeakegold.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2019, and audited consolidated financial statements for the year ended December 31, 2018, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain forward looking statements, please review the disclaimers that are provided on the last page of the report.

CORPORATE OVERVIEW

Chesapeake Gold Corp. (the "Company") is a development stage company focusing on the discovery, acquisition and development of major gold-silver deposits in North and Central America. The Company trades on the TSX Venture Exchange under the symbol "CKG" and on the OTCQX market in the United States under the symbol CHPGF. The Company has its head office in Vancouver, B.C.

The Company's primary asset is the Metates project ("Metates") located in Durango State, Mexico. Metates hosts one of the largest undeveloped gold-silver-zinc deposits in the Americas. In 2013, a pre-feasibility study on Metates ("2013 PFS") was completed and filed on SEDAR. An updated pre-feasibility study ("Updated PFS") based on a lower initial 30,000 tpd production rate versus the Phase I 60,000 tpd (2013 PFS), was filed on SEDAR in May, 2016.

The Company also has a portfolio of exploration properties in Mexico comprising 118,530 hectares in the states of Durango, Sinaloa, Oaxaca and Veracruz. The Company owns 74% of Gunpoint Exploration Ltd. ("Gunpoint") which owns the Talapoosa gold project in Nevada ("Talapoosa") and two Mexican properties, La Gitana and La Cecilia.

HIGHLIGHTS – SECOND QUARTER 2019

- Cash and cash equivalents of $14.8 million and marketable securities of $1.3 million as at June 30, 2019.
- During the period, the Company incurred $382,100 on regional exploration near Metates in Durango State. A new gold prospect, Crisy, was discovered several kilometers south of Metates.
- In Veracruz State, exploration at the Tatatila project extended gold-silver-copper-zinc skarn mineralization along a northeast trending structure parallel to the Las Minas deposit.
- The Company announced a $15 million private placement of which $12 million was on a bought-deal basis and $3 million on non-brokered placement at $2.25 per common share (July 2019- see Subsequent Events).
- The Company exercised its option to re-purchase a 1% net smelter returns royalty on Metates for US$9 million (August 2019 - see Subsequent Events).

METATES (Durango State, Mexico)

Overview

Metates is one of the largest, undeveloped disseminated gold, silver and zinc deposits in Mexico. The property is comprised of fourteen mineral concessions totalling 14,727 hectares. The Metates deposit is hosted by Mesozoic sedimentary rocks that have been intruded by a quartz latite body up to 300 meters thick and 1,500 meters long. Mineralization occurs in two zones: the Main Zone which is centered around the intrusive and the North Zone, within the sediments including conglomerate, sandstone and shale. The gold-silver mineralization occurs as sulphide veinlets and disseminations in both the intrusive and sedimentary host rocks.

The following table represents the year to date and project to date exploration expenditures on Metates:

(tabled amounts are expressed in thousands of CAD dollars)	**Six months ended June 30, 2019**	**Year ended December 31, 2018**	**Project to date**
Acquisition from American Gold in 2006	$ -	$ -	$ 20,213.3
Concession	30.5	56.3	876.4
Assay	-	-	1,476.4
Community, taxes, camp and supplies	62.1	423.4	4,686.8
Drilling	-	-	5,982.5
Environmental	-	-	52.8
Geological and engineering	22.6	52.8	25,837.1
Travel & other	7.2	7.0	1,154.1
Total additions	$ 122.4	$ 539.5	60,279.4

Updated PFS

On May 3, 2016, the Company filed on SEDAR the NI 43-101 technical report for the Updated PFS. The Updated PFS is based on an initial ore throughput rate of 30,000 tpd (“Phase 1”) with a staged expansion up to 90,000 tpd (“Phase 2”) funded primarily from internally generated cash flow. Phase 1 will operate for the first four years of the mine life with Phase 2 production starting in year five. Active pit mining is planned for 27 years followed by 10 years of processing stockpiled low grade ore. The Updated PFS provides a viable alternative option to build Metates at a lower initial capital cost while maintaining key operating efficiencies and economies of scale. All costs are shown in US dollars.

Mineral Reserves and Mining Schedule

The Updated PFS uses a revised mineral resource estimate from the 2013 PFS and is based on resources extracted from an open pit using assumed metal prices of $1,200/oz gold and $19.20/oz silver, with no zinc credits. The open pit mineral reserves were estimated within a detailed engineered pit design using the measured and indicated resources only. Measured and indicated mineral resources in the production schedule are converted to proven and probable mineral reserves, respectively. The pit design has overall slope angles from 37 to 46 degrees and life of mine (“LOM”) strip ratio of 1.1:1.

The mining schedule employs an elevated cut-off strategy to supply higher grade ore for processing during the early years with lower grade ore stockpiled for treatment later in the mine life. The above cut-off but lower than mill feed grade ore that is stockpiled is processed during the last ten years of operations (years 28-37).

Q2 2019 MD&A (expressed in CAD Dollars) – six months ended www.chesapeakegold.com

The table below presents the mineral reserves for the Metates project based on the mine and plant production schedules.

Metates Mineral Reserve								
Reserve Class	**Ktonnes**	**AuEq* (g/t)**	**Gold (g/t)**	**Gold (Koz)**	**Silver (g/t)**	**Silver (Koz)**	**Zinc (%)**	**Zinc (M lbs)**
Proven								
Mill Ore	283,777	0.982	0.696	6,350	17.2	156,929	0.171	1,070
Probable								
Mill Ore	515,849	0.777	0.546	9,056	13.5	224,398	0.147	1,672
Proven/Probable								
Total Mill Ore	799,626	0.850	0.599	15,406	14.8	381,327	0.156	2,742
Probable								
Stockpile	302,703	0.533	0.295	2,873	12.4	120,229	0.188	1,256
Total Proven/Probable	1,102,329	0.764	0.516	18,279	14.2	501,556	0.164	3,997

**Gold equivalent grade (AuEq) is defined as Au g/t + (Ag g/t x Ag rec./Au rec x Ag price)+(Zn %/2204.6 lbs/tonne x 1000 x Zn rec./Au rec. x Zn price). Overall metal recoveries are 90% Au, 66% Ag and 81% Zn. Assumed metal prices are $1250/oz. Au, $20/oz. Ag and $1.00/lb. Zn. Contained resources may not add due to rounding.*

Development Overview

The Updated PFS envisions a conventional truck and shovel open pit mining operation starting with a nominal 30,000 tpd ore throughput in Phase 1 expanding in year 5 to 90,000 tpd throughput for Phase 2. Crushed ore will be fed to a conventional SAG and ball mill circuit followed by a single stage flotation plant to produce a bulk sulphide concentrate. Tailings from the flotation concentration plant are dry filtered to remove water and then co-disposed with waste rock in a dedicated storage facility. The sulphide concentrate is transported downhill via a 103-kilometer long slurry pipeline to the El Paso site southwest of Metates. The pipeline will follow an all-weather access road that will be constructed between Metates and El Paso.

The El Paso site is situated beside a large high-grade limestone resource and close to key infrastructure including power, water, transportation and labour. At El Paso, the sulphide concentrate is treated in a pressure oxidation (POX/autoclave) plant with subsequent cyanidation and Merrill-Crowe recovery of gold and silver doré. Acidic solutions from the pressure oxidation process will be neutralized with ground limestone and lime produced from an on-site quarry and related processing facilities. The neutralization product will be dry filtered as will cyanide leach tailings prior to mixing for co-disposal in an adjacent storage facility. Zinc will be recovered from the pressure oxidation solutions via solvent extraction/electrowinning (SX/EW) methods to produce SHG grade (+99.9% purity) zinc ingots.

Updated PFS compared to 2013 PFS

The 2013 PFS fast tracked the mine development with Phase 1 processing 60,000 tpd and Phase 2 ore throughput increasing to 120,000 tpd in year 2. The LOM metal production for the 2013 PFS is essentially the same for the Updated PFS, but with active mining completed in year 19 and all metal production completed over 25 years. The mining, processing and metal recovery operations are similar for both studies.

Besides the relative scale of mining operations, significant changes and improvements in the Updated PFS have further de-risked the project in respect to site and infrastructure development, water management, power supply, reclamation and stakeholder interests. The principal changes since the 2013 PFS are as follows.

El Paso Site

The former Ranchito processing site (2013 PFS) has been relocated 8 kilometers east to the El Paso site close to the town of Cosala. Cosala has a population of about 10,000 people providing an excellent labour pool and support services. The El Paso site has more favourable topography for the process facilities and tailings storage and is adjacent to a large high-grade limestone resource. In addition, the El Paso site will eliminate 69 kilometers of access road improvements and reduce the length of the concentrate pipeline from 126 to 103 kilometers.

Water Supply and Management

The Mexican government increased the cost of surface water use by nearly 100% in 2015. Metates projected mine life is over 30 years. The project's close proximity to the Pacific Ocean and low cost power allows for desalinated seawater to be a cost effective alternative with lower supply risk. The desalination plant will supply 20 million cubic meters of water per year and be located within the same hydrologic basin and irrigation district as existing water users and stakeholders. Chesapeake plans to outsource the construction and operation of the desalination plant to a third party. At current energy prices, the desalinated water production cost is estimated at $0.90 per cubic meter. The current Mexican tariff for surface water is $0.91 per cubic meter.

Power Supply

Power for the project will be sourced from a dedicated natural gas-fired power plant located northwest of the El Paso site and adjacent to a new pipeline constructed by the Mexican government. The power plant will be owned and operated by an independent power provider with any excess power not required by the Metates project sold into the national power grid. Power will be delivered from the power plant to the project sites by owner-constructed dedicated power transmission lines.

Tailings Management

The waste rock and dewatered tailings storage design at the Metates site allows for concurrent LOM reclamation and reduces water demand by over 60% compared to conventional tailings facilities. At completion of mining, the tailings from the processed ore stockpile will be backfilled into the pit and contribute to a sustainable, long-term pit lake. At the El Paso site, the Updated PFS incorporates dry stack storage of combined neutralization products and cyanide leach tails rather than a conventional wet storage facility. The integrated dry stack disposal facility will substantially reduce water consumption and the environmental footprint.

Financial Comparison

For comparison with the Updated PFS, the 2013 PFS has been adjusted to the Updated PFS base case metal prices, changes in the 2014 Mexican tax regime, revised metal recoveries and elimination of the cash reserve. The initial Phase 1 capital cost for the 2013 PFS is $2.94 billion (60,000 tpd rate) increasing to $4.22 billion to achieve full nameplate capacity (120,000 tpd rate) in Phase 2. The initial Phase 1 throughput (30,000 tpd rate) in the Updated PFS has a capital cost of $1.91 billion with $1.59 billion in capital to complete Phase 2 to the 90,000 tpd rate.

Operating costs on a per tonne of ore basis have increased in the Updated PFS as compared to the 2013 PFS largely due to the lower throughput rates, mine fleet leasing costs and outsourcing the limestone/lime plant. For the 2013 PFS, the adjusted LOM by-product cash cost is $417 per ounce. The Updated PFS by-product cash cost is $628 per ounce LOM. The AISC is $662 per ounce, ranking in the lowest industry quartile of 2015 gold production. The attractive LOM cash costs for both the 2013 PFS and Updated PFS reflect the significant silver and zinc by-product credits along with the low stripping ratio, low power and neutralization costs.

Comparison of Adjusted 2013 PFS and Updated PFS		
	2013 PFS	**Updated PFS**
Contained Metal Reserves		
Gold (thousand oz.)	18,452	18,279
Silver (thousand oz.)	526,111	501,556
Zinc (million lbs.)	4,185	3,997
Production		
Total Mine Life (years)	19	27
Total Plant Operating Life (years)	25	37
Phase 1 (years)	1	4
Phase 1 Production Rate (tonnes/day)	60,000	30,000
Phase 2 Production Rate (tonnes/day)	120,000	90,000
Average Annual Gold Production (thousand oz)	664	445
Average Annual Silver Production (thousand oz)	13,708	8,856
Average Annual Zinc Production (million lbs.)	128.0	88.3
Capex and Opex		
Initial Phase 1 Capital ($000)	$2,939,670	$1,909,644
Initial Phase 1 & 2 Capital ($000)	$4,218,244	$3,496,415
Total Operating Cost ($ per tonne milled)	$13.59	$17.12
LOM Cash Cost (gold only by-product basis)	$417	$628
Financial Results		
Pre-tax NPV (5%) ($000)	$3,471,455	$1,779,313
Pre-tax IRR (%)	14.4	10.9
Pre-tax Payback (years)	5.5	8.7
After-tax NPV (5%) ($000)	$1,948,365	$737,416
After-tax IRR (%)	10.7	7.7
After-tax Payback (years)	6.7	10.1

Note: 2013 PFS adjusted with Updated PFS metal price assumptions, Mexican taxes, metal recoveries, 0.5% royalty and no cash reserve.

The 2013 PFS and Updated PFS provide viable alternative development options for Metates. The 2013 PFS features a rapid production ramp up with higher initial capital and superior project economics. The Updated PFS has lower initial capital, lower project execution risk with expansion funded by cash flow. The scalable mine plans and multiple metal streams provide optionality and financing flexibility in Metates future development.

Management believes with the two PFS studies it has significantly advanced and de-risked Metates. The two PFS studies demonstrate that building either a large or smaller initial mine, the project is economically viable at current metal prices. Going forward, Chesapeake is evaluating newly developed metallurgical technologies that potentially may simplify the process flow sheet.

In October 2018, Chesapeake extended the surface rights agreement with the San Juan de Camarones ejido at Metates until 2022.

During the six months ended June 30, 2019, the Company incurred expenses of $122,400 on Metates. Since acquisition, the Company has spent $64million exploring and advancing Metates including the 2013 PFS and updated PFS in 2016.

REGIONAL EXPLORATION

The Company continues to explore for additional gold and silver prospects in northwestern Mexico. The Company has an ongoing program of systematic regional exploration focused within a 100 kilometer radius of Metates and the El Paso plant site near Cosala in Sinaloa State, Mexico. Excellent infrastructure exists in the region with close proximity to a paved highway, power grid and a new natural gas pipeline constructed by the Mexican government.

In Sinaloa State, the Company focused on Yarely located 25 kilometers northwest of the planned El Paso process site. During 2018, an exploration program including mapping, sampling, mechanized trenching, ground geophysics and diamond drilling was undertaken. Several multiphase mineralized prospects including Spaniard, Loretos, Sundae, Yasmin, Lucy, Los Mimbres and Goyo were identified. A Phase I drill program at Spaniard, Lucy and Loretos discovered narrow high-grade gold-silver veins, a polymetallic skarn system and a large porphyry.

During the six months ended June 30, 2019, the Company undertook regional exploration near Metates in Durango State. A new gold prospect, Crisy, was discovered south of Metates. Crisy hosts several quartz breccia veins and stockwork along a two kilometer long northwest trending structural corridor. The Company is exploring the extension and potential existence of other mineralized targets along this regional faulting corridor. In 2019, the Company has spent $327,800 on regional exploration.

For more information on the regional exploration in Durango state, please visit:
http://chesapeakegold.com/downloads/ChesapeakeGold_2019_03_05_155.pdf

OTHER EXPLORATION PROJECTS

TALAPOOSA (Nevada, USA)

On November 26, 2010, Gunpoint acquired from Chesapeake a 100% interest in Talapoosa located in Lyon County, Nevada. Talapoosa is a low-sulphidation gold/silver property in the Walker Lane gold trend of western Nevada, approximately 45 kilometers east of Reno. The property consists of 535 unpatented lode mining claims and seven additional fee land sections which cover 14,780 hectares.

The Talapoosa project has a NI 43-101 compliant resource estimate (April 2013) hosting a measured (0.6 million) and indicated resource (0.4 million) of 1.0 million ounces of gold (31.2 million tons at a grade of 0.032 oz/t AuEq) and an inferred resource of 233,532 ounces of gold (11.2 million tons at a grade of 0.021 oz/t AuEq) using a cut-off of 0.015 oz/t gold equivalent.

In March 2015, the Company entered into an agreement (“Option Agreement”) with Timberline Resources Corporation (“Timberline”), granting Timberline an option (“Option”) to acquire from Gunpoint’s subsidiary, American Gold Capital US Inc. (“American Gold”), a 100% interest in Talapoosa. In consideration for the Option, Timberline paid US$300,000 and issued 2.0 million common shares of Timberline to American Gold.

Under the Option Agreement, Timberline had until September 12, 2017 to acquire a 100% interest in Talapoosa (the “Option Period”). Timberline could exercise the Option by making a US$10.0 million cash payment to American Gold. For a period of five years after Timberline exercised 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 averaged US$1,600 per ounce or greater for a period of ninety consecutive trading days. American Gold retained a 1% net smelter royalty (“NSR”) on Talapoosa which Timberline could purchase for US$3.0 million.

On August 10, 2015, Timberline filed a “Preliminary Economic Assessment on the Talapoosa Project” (“PEA”) on SEDAR (the PEA is filed on www.sedar.com.). At a 5% discount rate, the PEA indicated an after-tax NPV of US$136 million and 39% IRR at US$1,150/oz gold and US$16/oz silver.

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

Timberline did not make the option payment due March 31, 2018 to Gunpoint. Timberline's option to acquire the Talapoosa gold project was terminated and 100% ownership reverted back to Gunpoint. Total consideration received by Gunpoint under the agreement is US$1.3 million cash and 3.0 million common shares of Timberline.

Gunpoint has reviewed the technical work undertaken by Timberline and updated the project's database. Several companies have expressed interest in joint venturing and/or acquiring Talapoosa.

LA CECILIA (Sonora State, Mexico)

In 2010, Gunpoint acquired the La Cecilia Project ("La Cecilia") from the Company. Located in northeastern Sonora State, Mexico, La Cecilia comprises three mineral concessions totalling 794 hectares.

La Cecilia is a low-sulphidation, epithermal-type gold-silver system related to two well-developed northwest and northeast trending sets of faults centred on "Cerro Magallanes", a rhyolite dome complex. The mineralization occurs as high grade in vein structures and as lower grade within broader zones of stockeworks and breccias. Numerous other anomalous zones of silicification, brecciation and argillic alteration exist across the extent of the flow dome complex.

On January 31, 2017, Gunpoint entered into an agreement ("Option Agreement") with Riverside Resources Inc. ("Riverside") whereby Riverside has been granted an option to acquire a 100% interest in La Cecilia.

Pursuant to the Option Agreement, Riverside can acquire a 100% interest in La Cecilia by making $250,000 in cash payments and issuing 1.0 million Riverside common shares to Gunpoint per following schedule:

- A payment of $10,000 upon execution of the Option Agreement (Received);
- A $15,000 cash payment and issuance of 100,000 common shares of Riverside concurrent with the execution of registerable agreement in Mexico which occurred April 24, 2017 ("the Effective Date") (Received);
- A $25,000 cash payment and issuance of 200,000 common shares of Riverside on or before the first anniversary of the Effective Date (Received);
- A $75,000 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date (Received); and
- A $125,000 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, 2019 the Company had recorded La Cecilia at nil value due to a previous impairment. The consideration received from Riverside will be recognised as income.

TATATILA (Veracruz State, Mexico)

In 2007, the Company acquired through purchase and staking the Tatatila project ("Tatatila") in Veracruz State. Chesapeake acquired seven concessions comprising 2,767 hectares for US$56,000 from the CRM, a mining division of the Mexican government. The Company also staked one concession comprising 13,902 hectares. The Tatatila concessions surround Mexican Gold Corp's Las Minas project ("Las Minas"). Mexican Gold reported a resource estimate of 304,000 gold equivalent ounces (gold-silver-copper) at a grade of 1.9 g/t gold equivalent and an inferred resource of 719,000 gold equivalent ounces at a grade of 2.17 g/t gold equivalent.

Chesapeake undertook a follow-up exploration program to determine the potential extension of the Las Minas skarn zones along regional limestone-intrusive contracts and associated structural trends. Rock chip sampling and a magnetics geophysical survey discovered four gold-copper-zinc mineralized skarn bodies along a three kilometer southeast trending corridor from Las Minas.

Generative exploration has discovered additional mineralized skarn zones along an irregular five kilometer northeast trending intrusive-limestone corridor.

LA GITANA (Oaxaca State, Mexico)

The La Gitana project ("La Gitana") is a large low sulphidation epithermal system hosting precious metals mineralization that is both structurally and lithologically controlled. During 2005 and 2006, the Company completed 40 diamond drill holes comprising 8,462 meters on La Gitana. The drill program primarily tested Cerro di Oro, a 1.5-kilometer long, NW-trending, structurally-controlled, epithermal system where gold-silver mineralization is found as high-grade shoots in a set of N-W trending, sub-vertical structures, and as low grade disseminations within broad zones of quartz stockworks and breccias.

A NI 43-101 compliant technical report on La Gitana concluded that the exploration program undertaken by the Company on the Cerro di Oro zone (including detailed surface mapping and sampling, ground geophysics and diamond drilling) provided sufficient information to confirm the existence of well-defined gold-silver mineralization extending 500 meters in length, 50 to 150 meters wide and 50 to 300 meters deep. Step-out drilling discovered additional gold-silver mineralization along strike for over 300 meters to the southeast.

La Gitana was acquired by Gunpoint in November 2010 from the Company, together with Talapoosa and La Cecilia.

INTERIM SUMMARY OF CONSOLIDATED LOSS

(tabled amounts are expressed in thousands of CAD dollars)	**Six months ended June 30, 2019**	**Six months ended June 30, 2018**
Depreciation	$ (14.6)	$ (11.3)
Exploration	(99.0)	(115.1)
General & administration (1)	(516.4)	(538.3)
Share based compensation	(356.8)	(826.5)
	(986.8)	(1,491.2)
Finance income, net	156.0	108.1
Foreign exchange gain (loss)	(22.9)	(19.8)
Unrealized gains (loss) on investments	(84.6)	(305.8)
Other expense	140.9	82.3
Net loss	(797.4)	(1,626.4)
Other comprehensive gain (loss)	159.4	(19.4)
Net loss and comprehensive loss	(638.0)	(1,645.8)
Basic/Diluted loss per share	(0.02)	(0.04)

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees for both the Mexican and Canadian offices.

The Company incurred a net loss before income tax of $797,400 ($0.02 loss per share) for the six months ended June 30, 2019 compared to a loss of $1.6 million ($0.04 loss per share) during the same period in 2018. During the first two quarters, the Company realized a $84,600 loss on investments compared to a $305,800 loss in 2018. Share based compensation expense during the comparative interim period was $356,800 versus $826,500 in 2018.

Other comprehensive gain (loss) fluctuated over the years due to changes in macro-economic environment. The translation gains and losses incurred when translating subsidiary financials with local currency and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

Consolidated quarterly loss – 8 quarters historic trend

(tabled amounts are expressed in thousands of CAD dollars)	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**
Amortization	(4.3)	(10.3)	(2.7)	(2.9)	(2.7)	(8.6)	(2.6)	(2.7)
Exploration	(46.6)	(52.4)	(59.6)	(59.9)	(70.8)	(44.3)	(85.3)	(47.3)
General & administration (1)	(291.3)	(225.1)	(270.2)	(200.2)	(296.9)	(241.4)	(334.5)	(227.5)
Share-based compensation	(154.2)	(202.6)	(212.3)	(368.7)	(393.3)	(433.2)	(450.8)	(348.6)
	(496.4)	(490.4)	(544.8)	(631.7)	(763.7)	(727.5)	(873.2)	(626.1)
Finance (cost) income, net	70.2	85.8	153.4	55.7	59.8	48.3	47.0	55.90
Foreign exchange (loss) gain	(19.5)	(3.4)	(92.3)	9.8	13.7	(33.5)	(21.1)	(25.3)
Unrealized gain(loss) on investments	(182.6)	98.0	(310.5)	(180.3)	(12.0)	(293.8)	-	-
Impairment PPE		-	(571.2)	-	-	-	-	-
Other expenses	4.4	136.5	(85.9)	3.6	82.3	-	-	-
Income tax provision		-	(191.2)	-	-	-	684.1	-
Net loss	(623.9)	(173.5)	(1,642.5)	(742.9)	(619.9)	(1,006.5)	(163.2)	(595.5)
Other comprehensive (loss) income	107.6	51.8	(387.5)	(305.2)	507.9	(527.3)	306.9	(11.2)
Total comprehensive gain (loss)	(516.3)	(121.7)	(2,030.0)	(1,048.1)	(112.0)	(1,533.8)	143.7	(606.7)
Basic/Diluted loss per share	(0.02)	(0.00)	(0.09)	(0.05)	(0.04)	(0.02)	(0.00)	(0.01)
Total assets	91,375.6	91,628.7	91,516.4	92,999.9	93,558.6	93,274.2	94,280.5	94,250.4

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees

Three months ended June 30, 2019 vs. March 31, 2019

The Company incurred a net loss after tax of $623,900 ($0.02 loss per share) for the three months ended June 30, 2019. The loss was higher than Q1 2019 mainly due to of the $182,000 unrealized loss on investment recognized in the current quarter, while Q2 2019 had an unrealized gain of 98,000. Additionally in Q1 2019, Gunpoint recognized other income related to proceeds received from Riverside (related to the La Cecelia Property) which included cash and shares.

Three months ended June 30, 2019 vs. previous 2018 quarters

The Company incurred a net loss after tax of $623,900 ($0.02 loss per share) for the three months ended June 30, 2019. The loss was lower than historic quarters in 2018, except Q2 2018. An unrealized loss on investment of $182,600 in the current quarter was recorded compared to a $12,000 loss in Q2 2018.

Three months ended June 30, 2019 vs. all historic quarters in 2017

The Company incurred a net loss after tax of $623,900 ($0.02 loss per share) for the three months ended June 30, 2019, which was higher than the 2017 historic quarters. The net loss was mainly driven by $182,600 unrealized investment loss recognized in Q2 2019 compared to no investment losses in 2017.

Change in total assets

Total assets have declined consistently during the past fiscal years. The decrease in value since 2017 is due to funding the Company's exploration and development activities which lowered the cash balance and reduced the marketable securities and long-term investments. In 2018, Gunpoint recorded a $571,200 impairment of the Guatemalan El Escorpion Project due to the uncertainty of the permitting status.

LIQUIDITY AND CAPITAL RESOURCES

	Six months ended June 30,	
(tabled amounts are expressed in thousands of CAD dollars)	**2019**	**2018**
Cash outflows from operating activities	$ (157.1)	$ (459.6)
Cash inflows from financing activities	-	40.3
Cash outflows from investing activities	(588.5)	(1,115.1)
Net cash flows	(745.6)	(1,534.4)
Cash and cash equivalents balance	$ 14,805.8	$ 17,250.4

(tabled amounts are expressed in thousands of CAD dollars)	**June 30, 2019**	**June 30, 2018**
Opening balance – cash and cash equivalents	**$ 15,627.6**	**$ 18,914.2**
Proceeds from sales of other investment	-	225.0
Proceeds from options exercised	-	40.3
Settlement of other receivables	12.6	(103.3)
Investment income – cash received	156.0	108.1
Settlement of accounts payable	195.5	106.8
General & administration and other overhead	(516.4)	(538.3)
General exploration expense	(99.0)	(115.1)
Capitalized Exploration Expense (e.g. Metates, Yarely)	(585.1)	(1,340.1)
Foreign exchange impact on cash and others	14.6	(47.2)
Ending balance - cash and cash equivalents	**$ 14,805.8**	**$ 17,250.4**

As at June 30, 2019, the Company's net working capital was $14.3 million, lower than $17.3 million as at June 30, 2018. The declining net working capital is due to the reduction in the cash balance and marketable securities to fund the Company's operating and exploration activities. Cash and cash equivalent balance as at June 30, 2019 was $14.8 million, a decline from $17.2 million as at June 30,2018. The Company continues to fund regional exploration and maintaining Metates in good standing. Marketable securities increased in value during the first two quarters with the fluctuation of the stock market.

Cash and cash equivalents are primarily held in major Canadian chartered banks and Canadian government securities with short-term maturity dates.

The cash outflow from operating activities for the six months ended June 30, 2019 was $157,100, compared to a cash outflow of $459,600 in 2018. The cash inflow of approximately $75,000 from Riverside and $225,200 from investment income were offset by movement in working capital items, general exploration ($99,000), corporate overhead ($416,400) and management fees ($100,000). The lower cash outflow from operations in the current quarter is reflective of the higher outflow from the drill program undertaken during the same period in 2018.

There were no cash inflows from financing activities in the six months ended June 30, 2019 compared to cash inflow $40,300 received from options exercised during the same period in 2018.

The cash outflow from investing activities for the six months ended June 30, 2019 was $588,500, compared to $1.1 million in 2018. The current year outflow is lower as the Company investing activities were higher in 2018 largely due to the drilling program undertaken at Yarely. The Company received $225,000 from sale of marketable securities in 2018 which was netted against the exploration expenditures.

Cash and cash equivalent balance as at June 30, 2019 was $14.8 million.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds. The Company has sufficient working capital to fund the planned development and corporate expenses through 2019 and beyond.

SHAREHOLDERS' EQUITY

As at June 30, 2019 and date of the report, the Company had 44,573,866 shares outstanding.

As at June 30, 2019 and the date of this report, the Company has 375,000 shares in escrow.

The following table discloses the number of options and vested options outstanding as at June 30, 2019 and the date of this report:

Number of options ('000s)	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	198	3.75	27-Sept-22
5,233	4,121	2.92	

REGULATORY DISCLOSURES

Off-Balance Sheet Arrangements

As at the date of this report, the Company did not have any off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions as at June 30, 2019 other than as disclosed elsewhere in this document.

Related Party Transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, 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.

The Company incurred the following expenses with related parties during the period ended June 30:

Amounts in '000s	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Consulting	$ 21.2	$ 35.1	$ 56.2	$ 69.7
Legal	-	-	-	-
Management fees	37.5	62.5	100.0	125.0
Rental	6.0	6.0	12.0	12.0

Management and rental fees were paid or accrued to a private company owned by the President 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, 2019 the Company had amounts payable of $1,002.1 (December 31, 2018 - $889,100) to these parties of which $982,000 (December 31, 2018 - $863,100) were due to the President's company. These amounts are unsecured and non-interest bearing, due on demand and included in accounts payable and accrued liabilities.

Financial Instruments

The following provides a comparison of carrying and fair values of each classification of financial instrument:

(tabled amounts are expressed in thousands of CAD dollars)	**June 30, 2019**		**December 31, 2018**	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Financial assets				
Cash and cash equivalents	14,805.8	14,805.8	15,627.6	15,627.6
Marketable securities	1,337.7	1,337.7	1,310.7	1,310.7
Long term investment	416.7	416.7	480.3	480.3
Financial liabilities				
Accounts payable & accrued liabilities	1,558.4	1,558.4	1,420.3	1,420.3
Promissory note	700.0	700.0	700.0	700.0

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

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.

(tabled amounts are expressed in thousands of CAD dollars)	**Level 1**	**Level 2**	**Level 3**	**Total June 30, 2019**
Cash and cash equivalents	$ 14,805.8	$ -	$ -	$ 14,805.8
Marketable securities	1,337.7	-	-	1,337.7
Long-term investments	416.7	-	-	416.7
	$ 16,560.2	$ -	$ -	$ 16,560.2

(tabled amounts are expressed in thousands of CAD dollars)	**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

Subsequent events

a) On July 29, 2019, the Company announced, on a bought-deal basis, a brokered private placement of 5,334,000 common shares at a price of $2.25 per common share for gross proceeds of $12,001,500. The underwriter will receive a 4% cash commission of the gross proceeds for the brokered financing. In addition, The Company entered into a non-brokered private placement of 1,334,000 common shares at a price of $2.25 per common share for gross proceeds of $3,001,500.

The private placement financing closed on August 28, 2019. The common shares will have a hold period of four months and one day. The net proceeds from the private placement financing will be used for working capital and general corporate services.

b) On August 9, 2019, the Company exercised the option to re-purchase 1% of the NSR of Metates for US$9.0 million

Significant Accounting Policies

Please refer to the audited annual financial statements for the year ended December 31, 2018 which was filed on SEDAR.

Risk and uncertainties

This MD&A contains forward-looking statements. Readers are cautioned as to the risks and uncertainties related to the forward-looking statements and are directed to those risks and uncertainties discussed in the Annual Information Form (“AIF”) dated July 14, 2017, of which was filed on SEDAR. Also, please refer to the “Cautionary Statement on Forward-Looking Information” at the end of the MD&A.

Cautionary Statement on Forward Looking Statements

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to, statements regarding prospective gold, silver and zinc production, timing and expenditures to develop the Metates property, gold, silver and zinc resources, grades and recoveries, cash costs per ounce, capital and operating expenditures and sustaining capital and the ability to fund mine development at Metates. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Chesapeake and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: ability to finance mine development, fluctuations in the prices of gold, silver and zinc, fluctuations in the currency markets (particularly the Mexican peso, Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological conditions, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance; availability of and costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, diminishing quantities or grades of mineral reserves as properties are mined; risks in obtaining necessary licenses and permits, and challenges to the Company’s title to properties.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.

Other technical information

Mr. Gary Parkison, Metates Project Manager and a Qualified Person as defined by NI 43-101 is responsible for the technical information on Metates, Mr. Doug Austin, P.E., Senior Vice President, Dr. Art Ibrado, QP Member, MMSA, Project Manager and Mr. Richard Zimmerman, R.G. Environmental Geologist with M3 and Mr. Michael Hester F AUS IMM, Vice President, and Ms. Sylvia Y. Genglet, Senior Geological Engineer of IMC, Dr. Deepak Malhotra, SME, President of Resource Development Inc., and Mr. Grenvil M. Dunn, P. Eng, C. Eng, Director of Hydromet (Pty) Ltd. prepared the NI 43-101 Technical Report, Preliminary Feasibility Study and the NI 43-101 Pre-feasibility study, Reserves Estimates and Mine Planning.