Management's Discussion and Analysis

Third Quarter Report – September 30, 2017 (Nine months ended)

(Expressed in Canadian dollars, unless otherwise noted)

November 29, 2017

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 nine months ended September 30, 2017 and audited consolidated financial statements for the year ended December 31, 2016, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards.

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 and the December 31, 2016 annual MD&A dated May 1, 2017, both of which are filed on SEDAR. Also, please refer to the "Cautionary Statement on Forward-Looking Information" at the end of the MD&A.

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 gold-silver project ("Metates") located in Durango State, Mexico. The Metates project is one of the largest undeveloped gold and silver deposits in Mexico. A pre-feasibility study was completed on Metates ("2013 PFS") 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 last year.

The Company also has a portfolio of exploration properties in Mexico comprising 83,000 hectares in the states of Durango, Sinaloa, Oaxaca and Veracruz. The Company owns approximately 75% of Gunpoint Exploration Ltd. ("Gunpoint") which owns the Talapoosa gold project in Nevada ("Talapoosa") and two Mexican properties, La Gitana and La Cecilia.

HIGHLIGHTS

- Cash and cash equivalents balance as at September 30, 2017 was $20.4 million.
- During the nine months ending September 30, 2017, the Company incurred $1.3 million in exploration on the Yarely regional project ("Yarely") conducting surface sampling, trenching and ground geophysics.
- A 5,000 metre diamond drill program was mobilized to commence at Yarely.
- Pursuant to the amended option agreement (signed in October 2016) with Timberline Resources Corporation ("Timberline") on Talapoosa, Gunpoint received $1.3 million (US$1.0 million) cash and one million common shares of Timberline, with a market value of $620,000 on the granting date.
- Gunpoint optioned the La Cecilia property to Riverside Resources Inc. Pursuant to the agreement, Gunpoint received the initial payment of $25,000 and 100,000 Riverside common shares.

METATES (Durango State, Mexico)

Overview

Metates is one of the largest, undeveloped disseminated gold and silver deposits in Mexico. The property is comprised of fourteen mineral concessions totaling 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)	**Nine Months ended September 30, 2017**	**Year ended December 31, 2016**	**Project to date**
Acquisition from American Gold in 2006	$	$ 20,213.3	$ 20,213.3
Concession	46.4	742.4	788.8
Assay	-	1,476.4	1,476.4
Camp & Supplies	10.4	4,041.6	4,052.0
Drilling	-	5,982.5	5,982.5
Environmental	-	52.8	52.8
Geological and engineering	32.9	25,728.5	25,761.4
Travel & other	3.0	1,138.2	1,141.2
Total additions	$ 92.7	$ 59,375.7	$ 59,468.4

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).

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

Q3 2017 MD&A (expressed in CAD Dollars) – nine months ended www.chesapeakegold.com

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.

Overall average LOM gold and silver recoveries from ore through doré production are estimated at 90% and 66%, respectively. Zinc recovery to ingots is estimated at 81%. Metal recoveries to the sulphide concentrate are indexed to the processed ore grades. The table below presents a summary of the operating metrics of processed grades, tonnes mined and metal production over the mine life.

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Operating Metrics				
Operating Period	Phase 1 Years 1-4	Phase 2 Years 5-27	Years 28-37	Years 1-37
	Active Mining	Active Mining	Stockpile	LOM
Material Mined				
Total Ore Mined From Pit (K tonnes)	112,625	989,704	0	1,102,329
Ore To Process (K tonnes)	46,947	755,549	299,833	1,102,329
Low Grade Ore To Stockpile (K tonnes)	65,678	237,025	0	302,703
Waste Rock (K tonnes)	105,282	1,102,276	0	1,207,558
Strip Ratio (1)	0.93	1.11	0.00	1.10
Average Milling Rate (K tonnes/yr)	11,737	32,850	29,983	29,793
Average Milled Grades				
Gold (g/t)	0.431	0.608	0.296	0.516
Silver (g/t)	57.1	12.2	12.3	14.2
Zinc %	0.277	0.148	0.188	0.164
Average Annual Production				
Gold (K oz.)	146	579	254	445
Silver (K oz.)	16,157	8,183	7,482	8,856
Zinc (K lbs.)	48,715	89,070	102,182	88,251
By-product Cash Cost ($/Au Oz)	**-338.97**	**666.14**	**650.81**	**628.07**

(1) Strip Ratio based on total waste tonnes mined to ore tonnes mined. Overall metal recoveries are 90% gold, 66% silver and 81% zinc.

Capital Costs

Phase 1 initial capital cost is estimated at $1.91 billion including a $244 million contingency. The capital investment reflects outsourcing the power plant, desalination plant, oxygen plant and the limestone/lime operation. The mining fleet at the Metates site will be leased instead of purchased as in the 2013 PFS. The outsourcing and leasing costs are reflected in the operating costs.

Phase 1 production will commence at 30,000 tpd ore with internally generated cash flow funding the capital for the Phase 2 expansion to 90,000 tpd in year 5. Phase 2 capital is estimated at $1.59 billion (including $253 million in contingency) and will be spent over 4 years (years 2-5). All capital spent after year 5 is deemed to be sustaining capital and is estimated at $174 million, including reclamation and closure costs. The table below presents a summary of the capital costs. Capital costs are based on Q3/Q4 2015 pricing.

Summary of Capital Costs			
	Phase 1 $000	**Phase 2 $000**	**Total $000**
Metates Site			
Mining Equipment & Mine Development	$44,401	$0	$44,401
Crushing, Grinding, Flotation & Pipeline	$277,787	$155,066	$432,853
Tailings Dewatering & Stacking	$51,069	$40,031	$91,100
Other	$63,276	$16,559	$79,835
Subtotal	**$436,533**	**$211,656**	**$648,189**
El Paso Site			
Pressure Oxidation & Oxygen Supply	$278,976	$484,392	$763,368
Limestone Crushing & Lime Production	$63,017	$14,332	$77,349
Precious Metals Recovery	$66,115	$48,993	$115,107
Zinc Recovery	$32,858	$240,731	$273,588
Tailings & Residue Disposal	$13,761	$0	$13,761
Other	$39,522	$8,873	$48,395
Subtotal	**$494,249**	**$797,320**	**$1,291,569**
Infrastructure			
Access Roads & Civil Works	$107,567	$2,356	$109,922
Electric Power	$102,566	$11,753	$114,318
Water Supply	$32,335	$12,196	$44,531
Subtotal	**$242,467**	**$26,304**	**$268,771**
Total Direct Field Cost	**$1,173,249**	**$1,035,280**	**$2,208,529**
Indirects-EPCM, Commissioning & Spares	**$300,282**	**$298,433**	**$598,715**
Total On Site Constructed Cost	**$1,473,532**	**$1,333,713**	**$2,807,244**
Contingency	$244,004	$253,058	$497,063
Owner's Cost	$192,108	$0	$192,108
Total Capital Cost	**$1,909,644**	**$1,586,771**	**$3,496,415**

Operating Costs

Mining costs were prepared on a year-by-year basis and the LOM mining costs per tonne moved (including stockpile) are $1.37 per tonne at the Metates site, not including $0.26 per tonne in lease payments. LOM mining costs per tonne of ore mined are $3.83. Process costs are estimated to be $7.65 per ore tonne for the Metates and $8.29 per ore tonne for the El Paso operations. Overall G&A and support costs including water supply, are estimated at $1.18 per tonne. Average LOM by-product cash costs are estimated at $9.37 per tonne ore or $628 per ounce. The AISC per ounce of gold is estimated at $662. The LOM operating revenue is approximately 68% gold, 22% silver and 10% zinc. The table below summarizes the operating costs.

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Summary of Operating Costs		
	LOM Average Cost/Milled (T)	**LOM $/Au Oz. Production**
Metates Site		
Mining (including rehandle and equipment lease costs)	$3.83	$256.98
Crushing, Grinding, Flotation	$2.74	$183.83
Concentrate Thickening & Transportation (including outsource)	$0.18	$12.29
Tailings Dewatering, Stacking & Other	$0.89	$59.43
Subtotal	**$7.65**	**$512.53**
El Paso Site		
Pressure Oxidation, Acid Neutralization & Oxygen Supply	$4.67	$312.84
Limestone Mining, Crushing & Lime Production (outsource)	$1.63	$109.22
Precious Metal Recovery	$0.78	$52.17
Zinc Recovery	$0.61	$40.63
Tailings & Residue Disposal	$0.61	$40.90
Subtotal	**$8.29**	**$555.76**
Support		
General, Administrative & Other	$0.52	$34.76
Water Supply (including outsource desalination plant)	$0.66	$44.28
Subtotal	**$1.18**	**$79.04**
Total Operating Cost	**$17.12**	**$1,147.33**
Royalties	$1.02	$68.50
Refining & Transportation	$0.14	$9.13
Total Cash Cost	**$18.28**	**$1,224.97**
Net Silver and Zinc By-product Credit	**$8.91**	**$596.90**
By-product Cash Cost Per Ounce Gold	**$9.37**	**$628.07**
Sustaining Capital, Reclamation & Closure	$0.16	$10.61
Corporate Overhead	$0.31	$20.49
Exploration	$0.04	$2.74
AISC(1) Per Ounce Gold	**$9.88**	**$661.91**

(1) All-in sustaining costs are presented as defined by the World Gold Council and include cash costs plus exploration and sustaining capital costs, reclamation and closure costs, and corporate overhead.

Financial Results

Financial results have been developed for three metal price assumptions with $1,250 per ounce gold, $20 per ounce silver and $1.00 per pound zinc as the base case. At the base case, the Updated PFS demonstrates that Metates will generate a pre-tax NPV of $1.78 billion at a 5% discount rate with an IRR of 10.9%. The LOM cash operating cost is $628 per ounce with an AISC cost of $662 per ounce.

Financial Results Summary			
Metal Price Assumptions	**Low Case**	**Base Case**	**High Case**
Gold ($/oz.)	$1,100.00	$1,250.00	$1,400.00
Silver ($/oz.)	$17.60	$20.00	$22.40
Zinc ($/lb.)	$0.88	$1.00	$1.12
Pre-Tax Economic Indicators			
NPV @ 5% ($000)	$375,463	$1,779,313	$3,183,162
IRR %	6.4	10.9	14.7
Payback (yrs)	11.2	8.7	7.2
After-Tax Economic Indicators			
NPV @ 5% ($000)	($395,012)	$737,416	$1,842,627
IRR %	3.3	7.7	11.3
Payback (yrs)	15.4	10.1	8.4

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.

Changes incorporated into the Updated PFS will enable both the Metates and El Paso sites to be self-sufficient in water by using natural sourced run-off. Desalination has reduced the size for the water reservoirs which have now been located closer to larger drainage areas. These changes along with other water conservation measures have eliminated 137 kilometers of water supply and distribution pipelines provided in the 2013 PFS.

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. A more direct routing of these lines has reduced their length by 44 kilometers. Based on the Q4 2015 Henry Hub natural gas price of $2.12/MMBtu the delivered cost of electric power to the project is estimated at $0.0495 per kilowatt hour, down from $0.0612 in the 2013 PFS.

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 AISC reflects low sustaining capital from leasing versus capitalizing the mine fleet, relatively low LOM exploration costs and concurrent reclamation being accounted as an operating cost.

Operating cash costs per ounce also increased in the Updated PFS as a result of additional metallurgical testwork that increased the overall gold recovery from 89% to 90% but decreased the silver recovery from 76% to 66% and zinc recovery from 85% to 81%. Silver recoveries average 75% in the first 5 years of production when mined silver grades are higher. Partially offsetting the impact of the increased operating cost is a 20% reduction in the cost of electric power due to lower prevailing natural gas prices. 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.

During the nine months ended September 30, 2017 the Company incurred expenses of $132,100 on Metates. As at September 30, 2017 the Company had spent a total accumulated amount of $59.5 million on the Metates project.

At this time, Chesapeake does not plan to undertake further detailed engineering and development work at Metates. 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.

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 10,780 hectares. Since 1977, eight mining companies have drilled 564 drill holes for 71,000 meters along with environmental and metallurgical work. To date, four zones of mineralization have been identified – Main Zone, Bear Creek Zone, Dyke Adit, and East Hill.

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 closed a transaction ("Option Agreement") with Timberline, granting Timberline an option ("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$300,000 and issued 2.0 million shares of common stock of Timberline to American Gold. The Timberline shares being issued are subjected to the following vesting schedule:

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 Option Period, Timberline assumes responsibility for the payment of all property holding costs.

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 from September 12, 2017 to March 31, 2019 ("Amended Option Period"). In consideration for the Extended Option, Timberline will pay an additional US$1.0 million and issue 3.5 million common shares to American Gold. 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 million and one million common shares of Timberline by March 31, 2017. (Received)
- Payment of US$2 million and one million common shares of Timberline by March 31, 2018.
- A final payment of US$8 million and 1.5 million common shares of Timberline by March 31, 2019.

- Timberline undertakes 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 Gunpoint an additional US$10 million of which a minimum of US$5 million will be payable within six months of the trigger event, and the remaining US$5 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 nine months ended September 30 ,2017, Gunpoint received $1.3 million (US$1.0 million) cash and one million common shares of Timberline. The market value of the one million Timberline shares at the date of granting was $620.0.

Upon exercise of the Option Agreement, Timberline will have paid US$11.3 million and issued 5.5 million shares to Gunpoint to acquire a 100% interest in Talapoosa. Gunpoint will retain a 1% NSR in Talapoosa which is not subject to a buy-back option.

As at September 30, 2017, American Gold owns 9% of the outstanding shares issued in Timberline.

LA CECILIA (Sonora State, Mexico)

In 2010, Gunpoint acquired the La Cecilia property from the Company, together with three other properties for consideration that resulted in Chesapeake becoming a majority shareholder. Chesapeake currently owns 73% of the Gunpoint. Located in northeastern Sonora State, Mexico, La Cecilia comprises three mineral concessions totalling 794 hectares and hosts epithermal gold mineralization in a rhyolite dome setting.

The La Cecilia Property 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, an area of more than one kilometre by two kilometres.

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 the Option Agreement and subject to TSX Venture Exchange approval (Received), 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 common shares to the Company 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 ("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;
- A $75,000 cash payment and issuance of 300,000 common shares of Riverside on or before the second anniversary of the Effective Date; 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. Since year ended December 31, 2016, 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, a precious metal and polymetallic mining district in Veracruz State. Chesapeake acquired seven concessions of a National Mineral Reserve totaling 2,767 hectares in staged payments totaling 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 (TSX V: MEX) Las Minas project. Recently, Mexican Gold reported a maiden 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.

The Tatatila project covers a 200 square kilometre district characterized by Cretaceous limestones and sedimentary rocks affected by multi-phase intrusions. The main intrusive complex is more than 10 kilometers in diameter and consists of granodiorites, quartz-diorites and granites of Tertiary age. Igneous activity generated intermittent hydrothermal events that formed widespread skarn-type alteration zones along the contact between the calcareous and intrusive rocks. Porphyry and epithermal occurrences have also been found in this district.

RIO MINAS (Oaxaca State, Mexico)

Rio Minas is a silver – rich, polymetalic skarn prospect. To date, five major skarn zones have been identified within a 6 kilometer long, NE trending corridor associated with a NE-trending regional fault system. Rio Minas comprises one mineral concession that was acquired through staking totaling 1,123 hectares.

LA GITANA (Oaxaca State, Mexico)

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 the La Gitana project. 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 the La Gitana Project concluded that the exploration program undertaken by the Company on the Cerro di Oro zone of the La Gitana project (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 also discovered additional gold-silver mineralization along strike for over 300 meters to the southeast.

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

EL ESCORPION (Guatemala)

The Company has an option to purchase the El Escorpion property ("El Escorpion"), a 900 hectare concession in eastern Guatemala. To earn a 100% interest, the option payments total US$351,000 over 5 years. A 1% NSR can be purchased for US$585,000. In August 2015, the Ministry of Energy and Mines granted title to the concession to the Company.

Carrying amount ('000 US$)	September 30, 2016
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
	351.0

On May 20, 2016, the Company amended the final US $200,000 due January 28, 2016 per the schedule below:

Carrying amount ('000 US$)	September 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
	200.0

The El Escorpion property is located 85 kilometers by paved road southeast of Guatemala City. El Escorpion is situated 7 kilometers southwest and along trend of Tahoe Resources Inc.'s Escobal mine ("Escobal") which has a NI 43-101 compliant indicated mineral resource of 367 million ounces of silver grading 422 g/t, plus 37 million ounces of silver grading 254 g/t in the inferred category. Mineralization at Escobal is associated with steeply dipping and northeast-southwest trending intermediate sulfidation epithermal silver rich quartz veins with significant values in gold, lead and zinc. The Escobal land package completely surrounds the Escorpion project.

Mapping and sampling by Chesapeake has identified two prospective areas with intermediate sulfidation epithermal precious and base metal mineralization. The outcropping mineralization at El Escorpion appears to have many similarities to that at Escobal and occurs in a fault controlled, intermediate sulfidation epithermal system characterized by several multistage, subparallel silver-lead-zinc quartz-carbonate veins and stockworks. To date, the northeast-southwest trending system has been traced for over 1500 meters along strike and remains open to the northeast and southwest. The system is characterized by carbonate-minor quartz vein swarms in the southwest (Mina Blanca zone) and quartz stockworks and quartz veins in the northeast part of the concession (Escorpion –Los Pozos zones). The epithermal system is hosted in volcaniclastic sediments, porphyritic andesites and rhyodacitic rocks, the same rock types which host mineralization at Escobal.

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

- 500,000 common shares of Gunpoint
- 500,000 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% NSR
- 1.0 million common shares of Gunpoint 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.

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.

REGIONAL EXPLORATION

The Company continues to explore for additional gold and silver prospects in northwest Mexico. The Company has an ongoing program of systematic regional exploration focused within a 100 km radius of Metates and the planned El Paso plant site near Cosala in Sinaloa State, Mexico. To date four precious and base metal projects with district scale potential have been identified and are being systematically advanced. The four projects are located along a mineralized corridor that parallels the Pacific coast and lies along the western margin of the Sierra Madre Occidental. 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 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. Several multiphase mineralized prospects including Central, Loretos, Sundae, Yasmin, Lucy and Mimbres have been discovered. Chesapeake has commenced a 5,000 metre diamond drill program on the Central and Loretos prospects.

Highlights of Yarely:

- Several different deposit types have been defined in six prospects and include skarns, epithermal and mesothermal veins, disseminated zones, stockworks and breccias
- At the Central and Loretos prospects, 186 kilometres of IP-Resistivity geophysical surveys outlined a “V” shaped chargeability anomaly 6 kilometres long, up to 600 metres wide and over 300 metres deep
- The “V” shaped IP anomaly is coincident with northwest and northeast trending regional deep seated faults and two mineralized structural corridors

The Phase I drill program at the Central and Loretos prospects will determine the geological characteristics and potential mineralization of the diverse deposit types at depth.

Central Prospect - Initial drill holes will test the four subparallel north-northwest trending stockwork structures up to one kilometre in length and associated extensive breccia bodies (see news release dated September 7, 2017). Some exploration holes will be drilled to over 200 metres depth to test the underlying IP chargeability anomaly that suggests a significant deep sulphide body.

Loretos Prospect - Several widely spaced exploratory holes are planned to test the west side of the “V” shaped IP anomaly which is over 3 kilometres long and 1 kilometre wide. At Loretos, quartz-carbonate veins and stockworks are hosted in sandstone, conglomerate and limestone. Geophysics has outlined the presence of sulfides possibly related to intrusive hosted mineralization up to 500 metres in depth.

Regional - District scale exploration continues at the Yarely project through detailed geologic mapping, soil and rock geochemistry, trenching and IP-Resistivity geophysical surveys. Yasmin, Lucy, Sundae and Los Mimbres prospects are being systematically advanced to the drill stage. A Phase II drill program is planned in 2018 to begin testing these prospects.

During 2017, the Company has spent $1.3 million exploring and advancing the Yarely project. Chesapeake has through staking and acquisition, assembled a 68,000 hectare land package at Yarely.

SUMMARY OF INTERIM CONSOLIDATED LOSS

(tabled amounts are expressed in thousands of CAD dollars)	**Nine months ended September 30, 2017**	**Nine months ended September 30, 2016**
Depreciation	$ (14.2)	$ (15.5)
Exploration	(183.6)	(363.3)
General & administration (1)	(802.4)	(871.1)
Share based compensation	(1,221.9)	(1,887.9)
	(2,222.1)	(3,137.8)
Finance income, net	269.7	234.8
Foreign exchange gain (loss)	(52.8)	(107.4)
Gain on disposal of marketable security	-	49.6
Gain on debt settlement	-	23.4
Impairment on equipment	-	(6.7)
Impairment on investment	-	(161.9)
Net loss after tax	(2,005.2)	(3,106.0)
Other comprehensive gain (loss)	(907.0)	2,787.5
Net loss and comprehensive loss	(2,912.2)	(318.5)
Basic/Diluted loss per share	(0.05)	(0.07)

(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 tax of $2.0 million ($0.05 loss per share) for the nine months ended September 30, 2017 compared to a loss of $3.1 million ($0.07 loss per share) in the same period in 2016. The $1.1 million decline in losses compared to the prior quarter in 2016 was primarily due to no impairment on investment and lower foreign exchange losses. In the current period, $52,800 of foreign exchange loss was recognized compared to a $107,400 loss in the first three quarters of 2016. The change was due to foreign exchange movement between the US Dollar against the Canadian Dollar. There was no impairment on investment related to the Timberline shares in the current period when compared to the $161,900 impairment from the market value decline of the shares in the first nine months of 2016. Stock based compensation expense also decreased from the prior period as less expenses are recognized closer to the stock options being fully vested.

Other comprehensive loss fluctuated over the nine months periods. This was mainly due to the volatility of the stock market from international economic environment 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)	Q3 2017	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**
Amortization	(2.7)	(2.9)	(8.6)	(1.5)	(1.5)	(5.1)	(8.9)	(10.8)
Exploration	(47.3)	(59.1)	(77.2)	(69.6)	(123.7)	(86.4)	(153.2)	(152.7)
General & administration [(1)]	(227.5)	(232.3)	(342.6)	(369.6)	(241.5)	(312.6)	(317.0)	(333.3)
Share-based compensation	(348.6)	(385.7)	(487.6)	(535.9)	(663.9)	(738.9)	(485.1)	(667.4)
	(626.1)	(680.0)	(916.0)	(976.6)	(1,030.6)	(1,143.0)	(964.2)	(1,164.2)
Finance (cost) income, net	55.90	123.2	89.9	79.7	84.7	71.5	78.6	156.6
Foreign exchange (loss) gain	(25.3)	(18.1)	(9.4)	(11.1)	(24.0)	(8.4)	(75.0)	156.1
Gain (loss) on sales of available for sales investments	-	-	-	-	49.6	-	-	-
Gain on debt settlement	-	-	-	11.5	23.4	-	-	-
Impairment of marketable securities	-	-	-	(10.5)	(61.3)	-	(100.6)	(1,416.9)
Impairment of mineral properties	-	-	-	-	-	-	-	(959.4)
Other expenses	-	-	-	-	-	(6.7)	-	-
Income tax provision	-	-	-	(266.7)	-	-	-	125.3
Net loss	(595.5)	(574.2)	(835.5)	(1,173.7)	(958.2)	(1,086.6)	(1,061.2)	(3,102.5)
Other comprehensive (loss) income	(11.2)	(589.6)	(306.2)	6.5	216.0	3,031.4	(459.9)	563.2
Total comprehensive gain (loss)	(606.7)	(1,163.8)	(1,141.7)	(1,167.2)	(742.2)	1,944.8	(1,521.1)	(2,539.3)
Basic/Diluted loss per share	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.06)
Total assets	94,250.4	94,376.9	95,208.1	95,908.2	96,108.8	95,677.2	93,417.3	95,073.5

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

Three months ended September 30, 2017 vs. all historic quarters in 2017, 2016 and 2015

The Company incurred net loss after tax of $0.6 million ($0.01 loss per share) for the three months ended September 30, 2017. The net loss was the lower compared to all historic quarters due to lower administrative and non-cash stock based compensation expenses.

Other comprehensive loss fluctuated over the fiscal periods. This was mainly due to the volatility of the stock market from international economic environment and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

Change in total assets

Total assets have remained reasonably consistent during the past two fiscal years. Since 2015, the Company's exploration, development and feasibility work has lowered the cash balance together with a decline in marketable securities and long-term investments.

LIQUIDITY AND CAPITAL RESOURCES

	Nine months ended September 30,	
(tabled amounts are expressed in thousands of CAD dollars)	**2017**	**2016**
Cash outflows from operating activities	$ (637.0)	$ (1,442.5)
Cash inflow from financing activities	80.6	334.1
Cash outflows from investing activities	(149.4)	(1,068.2)
Net cash flows	(705.8)	(2,176.6)
Cash balance	$ 20,408.4	$ 22,056.8

(tabled amounts are expressed in thousands of CAD dollars)	**2017**	**2016**
Opening balance – cash and cash equivalent	**$ 21,214.4**	**$ 24,402.5**
Proceeds from disposition of mineral property, net	1,343.0	-
Proceeds from sales of other investment		115.3
Proceeds from options exercised	80.6	334.1
Settlement of other receivables	111.4	-
Investment income – cash received	269.7	302.5
Settlement of accounts payable	13.9	(608.6)
General & administration and other overhead	(802.4)	(871.1)
General exploration expense	(183.6)	(363.3)
Capitalized Exploration Expense (e.g. Metates, Yarely)	(1,492.4)	(1,183.5)
Foreign exchange impact on cash and others	(146.2)	(71.1)
Ending balance - cash and cash equivalent	**$ 20,408.4**	**$ 22,056.8**

As at September 30, 2017, the Company's net working capital was $20.8 million, slightly lower than the net working capital of $21.9 million as at December 31, 2016. Cash and cash equivalents are primarily held in major Canadian chartered banks and Canadian government securities with short-term maturity dates. A US$1 million dollar Talapoosa option payment from Timberline and a $25,000 La Cecilia payment from Riverside were received in 2017.

The cash outflow from operating activities in the nine months ended September 30, 2017 was $637,000. The outflow was primarily attributable to general exploration ($183,600), corporate overhead ($614,900) and management fees ($187,500). These expenses were netted out by positive working capital adjustments. The difference between the current quarter and prior year cash outflow was mainly due to lower business activities and from working capital adjustments.

The cash inflows from financing activities in the nine months ended September 30, 2017 were $80,625 due to stock options exercised. In the first nine months of 2016, the Company received $334.1 from the exercise of stock options.

Cash and cash equivalent balance as at September 30, 2017 was $20.4 million. Excluding capitalized exploration expenses, the cash outflow from investing activities in the nine months ended September 30, 2017 was $149,400 compared to the cash outflow of $1.0 million in the nine months ended in 2016. During the first quarter of 2017, the Company received US$1.0 million from Timberline related to the Talapoosa option agreement.

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 2017 and 2018.

SHAREHOLDERS' EQUITY

As at September 30, 2017 and date of this report, the Company had 44,555,116 shares and 5,501,250 stock options outstanding.

As at September 30, 2017 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 September 30, 2017 and the date of this report:

Number of options ('000s)	Vested ('000s)	Exercise price	Expiry Date
2,514	1,860	$ 3.30	29-Aug-24
2,197	521	2.15	21-Mar-21
790	-	3.75	27-Sept-22
5,501	2,381	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.

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 (in thousands) with related parties during the nine months ended September 30:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Consulting	$ 38.4	$ 81.9	$ 141.4	$ 255.9
Legal	5.7	2.5	15.2	8.0
Management fees	62.5	62.5	187.5	187.5
Rental	6.0	6.0	18.0	18.0

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 September 30, 2017 the Company had amounts payable of $548,400 (December 31, 2016 - $313,100) to these parties. 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:

Amounts in '000s	September 30, 2017		December 31, 2016	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Financial assets				
Fair value through profit and loss ("FVTPL")				
Cash and cash equivalents	20,408.4	20,408.4	21,214.4	21,214.4
Available-for-sale				
Marketable securities	1,802.2	1,802.2	2,066.9	2,066.9
Long term investment	1,261.2	1,261.2	810.0	810.0
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	1,025.6	1,025.6	1,060.0	1,060.0

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.

Amounts in '000s				
	Level 1	**Level 2**	**Level 3**	**Total September 30, 2017**
Cash and cash	$ 20,408.4	$ -	$ -	$ 20,408.4
Marketable securities	1,802.2	-	-	1,802.2
Long term investment	1,261.2	-	-	1,261.2

Amounts in '000s				
	Level 1	**Level 2**	**Level 3**	**Total December 31, 2016**
Cash and cash	$ 21,214.4	$ -	$ -	$ 21,214.4
Marketable securities	2,066.9	-	-	2,066.9
Long term investment	810.0	-	-	810.0

Significant Accounting Policies

Please refer to the audited annual financial statements for the year ended December 31, 2016 and the unaudited interim financial statements for the period ended September 30, 2017 for the Company's significant accounting policies. Both of which were 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 and the December 31, 2016 annual MD&A dated May 1, 2017, both of which were 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.