INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED
MARCH 31, 2006

(Unaudited-Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM
FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CHESAPEAKE
GOLD CORP.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying interim unaudited financial statements of Chesapeake Gold Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and the financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that the management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board exercises its fiduciary responsibilities principally through its audit committee. The audit committee meets with management to satisfy itself that management's responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

"P. Randy Reifel"	"Gerald Sneddon"
P. Randy Reifel	Gerald Sneddon
Director	Director

May 30, 2006
Vancouver, BC

CHESAPEAKE GOLD CORP.
CONSOLIDATED BALANCE SHEETS
March 31, 2006
(With Comparative Figures as at December 31, 2005)
(In Canadian Dollars)

	March 31, 2006 (Unaudited)	December 31, 2005 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16,689,363	$ 16,607,878
Accounts receivable	116,308	97,166
TOTAL CURRENT ASSETS	16,805,671	16,705,044
Long Term Investments	9,311,333	9,880,269
Investment in Mineral Properties (notes 3 and 5)		
Mineral concessions	1,010,146	889,809
Deferred exploration costs	5,360,172	4,789,122
TOTAL INVESTMENT IN MINERAL PROPERTIES	6,370,318	5,678,931
Fixed Assets, at cost less amortization (note 2(g))	350,127	363,794
TOTAL ASSETS	$ 32,837,449	$ 32,628,038
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 439,548	$ 391,855
Income taxes payable (Note 10)	253,489	198,509
TOTAL CURRENT LIABILITIES	693,037	590,364
Shareholders' Equity		
Capital stock (note 6)		
Authorized:		
100,000,000 common shares without par value		
Issued:		
19,752,795 common shares (December 31, 2005 - 19,752,795 common shares)	33,191,960	33,191,960
Contributed surplus - Stock-Based Compensation (Note 2(f)	1,004,272	1,004,272
Retained earnings (Deficit), accumulated during the development stage (note 1	(2,051,820)	(2,158,558)
TOTAL SHAREHOLDERS' EQUITY	32,144,412	32,037,674
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 32,837,449	$ 32,628,038

APPROVED ON BEHALF OF THE BOARD:

" P. Randy Reifel " Director

"Gerald L. Sneddon " Director

See Accompanying Notes to Consolidated Financial Statements

CHESAPEAKE GOLD CORP.

CONSOLIDATED STATEMENTS OF INCOME

For Three Months Ended March 31, 2006

(With Comparative Figures for Three Months Ended March 31, 2005)

(In Canadian Dollars)

(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
INTEREST & OTHER REVENUE, net	$ 549,405	$ 616,144
GENERAL AND ADMINISTRATION EXPENSES		
Amortization	22,218	14,312
Geological consulting fees	89,071	135,945
Filing and transfer agent fees	15,331	13,525
License, dues and insurance	309	241
Management fees (note 7)	43,750	43,750
Office and administration	149,286	144,642
Professional fees	28,281	15,394
Property evaluation costs and write down	-	7,498
Travel and investor communications	39,441	26,706
	387,687	402,013
PROFIT BEFORE INCOME TAXES	161,718	214,131
Provision (Recovery) for income taxes	54,980	37,864
NET PROFIT FOR THE PERIOD	$ 106,738	$ 176,267
Weighted Average Number of Shares Outstanding		
Basic	19,752,795	17,903,535
Diluted	19,765,775	17,936,786
PROFIT PER SHARE		
Basic	$ 0.01	$ 0.01
Diluted	$ 0.01	$ 0.01

See Accompanying Notes to Consolidated Financial Statements

CHESAPEAKE GOLD CORP.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

For three months Ended March 31, 2006

(With Comparative Figures for Three Months Ended March 31, 2005)

(In Canadian Dollars)

(Unaudited)

	Three Months Ended March 31, 2006	2005
Net profit for the period	$ 106,738	$ 176,267
Retained earnings (Deficit), beginning of period	(2,158,558)	(3,939,597)
Adjustment for stock based compensation (Note 2(f))	-	-
Retained earnings (Deficit), end of period	$ (2,051,820)	$ (3,763,330)

See Accompanying Notes to Consolidated Financial Statements

CHESAPEAKE GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For three months Ended March 31, 2006
(With Comparative Figures for Three Months Ended March 31, 2005)
(In Canadian Dollars)
(Unaudited)

	Three Months Ended March 31, 2006	2005
FUNDS DERIVED FROM (APPLIED TO)		
Operating activities		
Net profit for the period	$ 106,738	$ 176,267
Items not requiring use of cash		
Amortization	22,218	14,312
Stock-based compensation		(29,174)
Changes in non-cash working capital items		
Accounts receivable	(19,142)	(35,593)
Accounts payable and accrued liabilities	47,693	153,635
Income taxes payable	54,980	37,864
Cash derived from operating activities	212,487	317,311
Investing activities		
Mineral concessions	(120,337)	(198,596)
Deferred exploration costs	(571,050)	(494,174)
Fixed assets purchased	(8,551)	(94,955)
Cash used for investing activities	(699,938)	(787,725)
Financing activities		
Short term investments	568,936	153,996
Common shares issued for cash	-	39,029
Cash derived from (used for) financing activities	568,936	193,025
CASH (DECREASE) DURING THE PERIOD	81,485	(277,389)
BALANCE, BEGINNING OF PERIOD	16,607,878	22,770,543
BALANCE, END OF PERIOD	$ 16,689,363	$ 22,493,154

See Accompanying Notes to Consolidated Financial Statements

NOTE 1. - BUSINESS OPERATIONS

The Company was incorporated under the Laws of British Columbia, Canada on April 18, 2002. The Company's name was changed from Chesapeake Gold Ltd. to Chesapeake Gold Corp. on May 9, 2002.

The Company is in its development stage in the resource industry and has not generated any revenues from its planned operations, except for interest and other revenue received.

NOTE 2. - SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minerales El Prado S.A. de C.V., a Mexican corporation and Nica Gold S.A., a Nicaraguan corporation. All intercompany transactions and balances have been eliminated.

(b) General and Administration Expenses

General and Administration Expenses incurred at the Company's head office and subsidiary operations are written off as incurred.

(c) Accounting Estimates

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ form those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, the anticipated costs of asset retirement obligations including the reclamation of mine sites and the computation of stock-based compensation.

(d) Mineral Properties

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs, net of incidental revenues, are capitalized until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include related value-added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain.

NOTE 2. - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying costs may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying costs of a property are not recoverable and exceed their fair value.

Certain of the Company's exploration and development activities are conducted jointly with others. These consolidated financial statements reflect only the Company's interests in such activities.

Option payments received are firstly credited against the cost of mineral concessions, and after recovery of these costs then, secondly, credited against deferred exploration costs, and thereafter if all mineral concession costs and all deferred exploration costs are recovered, thirdly, recorded as income in the period in which consideration is received.

(e) Translation of Foreign Currency

The accounts of the Company are translated into Canadian dollars on the following basis:

- current assets and liabilities at the rate of exchange in effect at the balance sheet date
- deferred exploration costs and general and administration expenses at the average rate in effect during the period
- non-current assets and liabilities at rates prevailing when the transaction occurred
- exchange gains or losses on conversion are included with net interest income
- fixed assets are measured at historical exchange rates that existed at the time of the transaction
- depreciation is measured at historical exchange rates that existed at the time the underlying fixed asset was acquired
- capital accounts are translated at their historical exchange rates when the capital stock is issued.

(f) Stock-based Compensation

The Company has stock-based management incentive plans, which are described in Note 6(b). Effective May 9, 2002, date of incorporation, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, are accounted for using the fair value method. No compensation cost was recorded for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital.

Effective January 1, 2004, the Company retroactively adopted the amended Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" that requires the used of the fair-value method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statement of operations.

(In Canadian Dollars)

NOTE 2. - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prior to January 1, 2004, the Company disclosed the effects of the fair-value method in the notes to the financial statements and did not recognize stock-based compensation relating to stock options granted to employees and directors in the statement of operations. Under the revised accounting policy, the Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period of the options in the results from operations. The cumulative effect of this change in accounting for stock-based compensation of $4,450,944, determined as of January 1, 2004, for stock options granted on or after May 9, 2002, is reported separately in the consolidated statement of deficit and as an adjustment to contributed surplus. There were no options granted on or after May 9, 2002 exercised prior to January 1, 2004. As allowed under the provisions of HB3870, prior periods have not been restated to apply the provisions of the revised accounting policy for stock-based compensation. No options were exercised during the quarter ended March 31, 2006, resulting in the balance of contributed surplus – stock-based compensation of $1,004,272 as at March 31, 2006.

(g) Fixed Assets and Accumulated Amortization

The Company amortizes its capital assets on the declining balance method, at the following rates:

Office equipment	20% per annum
Computer equipment	30% per annum
Vehicles	30% per annum
Exploration equipment	20% per annum

	March 31, 2006		
	At Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 39,421	$ 20,666	$ 18,755
Computer equipment	48,071	16,634	31,437
Vehicles	228,572	114,578	113,994
Exploration equipment	284,646	98,706	185,941
	$ 600,710	$ 250,584	$ 350,127

	December 31, 2005		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 39,421	$ 19,679	$ 19,742
Computer equipment	39,521	14,432	25,089
Vehicles	228,572	105,335	123,237
Exploration equipment	284,646	88,920	195,726
	$ 592,160	$ 228,366	$ 363,794

NOTE 2. - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Income Taxes

The Company accounts for income taxes using the asset and liability method, Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary difference), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(i) Pension and Employment Liabilities

The Company does not have any liabilities as at March 31, 2006 for pension, post-employment benefits or post-retirement benefits. The Company does not have a pension plan.

(j) Earnings (Loss) Per Share

Net income per common share is computed by dividing net income by the weighted average of shares outstanding during the period.

Computation of basic and diluted weighted average of shares outstanding for the period ended March 31, 2006, is as follows:

Basic weighted average shares		19,752,795
Diluted weighted average shares		19,765,775
Earning (Loss) per share - Basic	$	0.01
Earning (Loss) per share - Diluted	$	0.01

(k) Commitment and Contingencies

In management's opinion, there are no significant commitments and legal proceedings to which the company is subject.

(l) Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred.

NOTE 2. - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Upon initial recognition of a liability for an asset retirement obligation, the Company will recognize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. In periods subsequent to the initial measurement, the Company will recognize period-to-period change in the liability for an asset retirement obligation resulting from the passage of time and revision to either the timing or the amount of the original estimate of undiscounted cash flows.

NOTE 3. - SUBSIDIARY COMPANIES

(a) Minerales El Prado S.A. de C.V.

(i) In July 2002, the Company acquired a private Mexican company, Minerales El Prado S.A. de C.V. ("MEP").

(ii) Mexican Property Acquisitions

<u>Chihuahua State</u>

MEP has acquired, by staking, a mineral concession "El Capitan" comprising 8,800 hectares.

<u>Cucaracha Dorado Property , Durango State</u>

MEP has an option to acquire a 100% interest in the Cucaracha Dorado mineral concession covering 2,770 hectares in Durango State. To earn its 100% interest, MEP has agreed to make loan and option payments that total US$460,000 over four years which includes a US$400,000 final payment. The vendors retain a 2% net smelter royalty and MEP has the option to purchase half the royalty (1%) at any time with a payment of US$1.0 million. MEP has also acquired, by staking, two additional mineral concessions in Durango State totaling 19,382 hectares.

<u>La Gitana Property, Oaxaca State</u>

The La Gitana Property comprises ten mineral concessions totaling 382,160 hectares. MEP has an option to acquire a 75% interest in one concession from Luismin S.A. de C.V., a wholly-owned subsidiary of Wheaton River Minerals Ltd. by spending US$2.0 million in exploration expenditures by the end of 2010. The second concession is privately owned and a 100% interest is being acquired by the Company by the issuance of 140,000 shares of the Company over three years. The initial payment of 20,000 common shares has been issued. The eight other concessions totaling 380,160 hectares have been staked by MEP and are 100% owned by MEP.

NOTE 3. - SUBSIDIARY COMPANIES (cont'd)

La Calavera Property, Oaxaca State

The Company has acquired an option to acquire a 100% interest in two mineral concessions comprising 8,247 hectares ("La Calavera Project") in Oaxaca State, Mexico. One concession is being acquired by making staged property payments totaling US$500,000 over four years which includes a US$430,000 final payment. The vendors retain a 1% NSR which can be purchased for US$1.0 million. The second concession can be acquired by the issuance of 150,000 shares of the Company over five years. A 2% NSR royalty is retained on the second concession of which 1% can be purchased for US$2.0 million. The Company has also agreed to undertake US$2.5 million in exploration expenditures on the La Calavera Project over five years.

La Cecilia Property, Sonora State

The Company has signed an option agreement to acquire a 100% interest in the La Cecilia gold project, which consists of three mineral concessions totaling 794 hectares located in northern Sonora State. The Company can earn its 100% interest by making the following staged payments totaling US$100,000 to the Consejo de Recursos Minerales de Mexico ("CRM") over 4 years. The CRM retains a 1% net smelter royalty. The payment schedule of the aforementioned amount is:

US$10,000 upon signing the option agreement (the "Effective date")
US$15,000 on the first anniversary of the Effective Date; (paid)
US$20,000 on the second anniversary of the Effective Date;
US$25,000 on the third anniversary of the Effective Date; and finally
US$30,000 on the fourth anniversary of the Effective Date.

Sinaloa State

MEP has acquired, by staking, three mineral concessions: EI Tecomate, EI Volcan and La Verdosa comprising 10,495 hectares.

(b) Nica Gold S.A.

In July 2002, Francisco Gold Corp. transferred its 100% interest in Nica Gold S.A. ("Nica Gold"), a private Nicaragua company to the Company. Nica Gold has, through staking, acquired five mineral concessions totalling 104,744 hectares in Nicaragua. Title has been issued to Nica Gold for these concessions.

(In Canadian Dollars)

NOTE 4. - SEGMENTED INFORMATION

The following table summarizes the Company's current assets and long-lived assets in different geographic locations:

Balance at March 31, 2006

	Canada	Mexico	Nicaragua	Total
Current Assets	$ 16,805,671	$ 0	$ 0	$ 16,805,671
Long Term Investment	9,311,333	0	0	9,311,333
Investment In Mineral Properties	0	5,873,863	496,455	6,370,318
Property and Equipment	164,186	185,941	0	350,127
	$ 26,281,190	$ 6,059,804	$ 496,455	$ 32,837,449

Balance at December 31, 2005

	Canada	Mexico	Nicaragua	Total
Current Assets	$ 16,705,044	$ --	$ --	$ 16,705,044
Long Term Investment	9,880,269			9,880,269
Investment In Mineral Properties		5,248,316	430,615	5,678,931
Property and Equipment	168,753	195,041		363,794
	$ 26,754,066	$ 5,443,357	$ 430,615	$ 32,628,038

NOTE 5. - MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

To March 31, 2006, the Company has invested in mineral properties and deferred exploration costs as follows:

Acquisition Costs of Mineral Properties	**Balance March 31, 2006**	**Additions During the Quarter Ended March 31, 2006**	**Balance December 31, 2005**
Minerales EL Prado S.A. de C.V.			
Cucaracha Dorada	98,268	1,307	96,962
La Gitana	169,926	16,655	153,271
La Calavera	171,425	36,459	134,966
La Cecilia	32,481	1,208	31,273
Regional	263,443	207	263,236
Subtotal	735,543	55,836	679,708
Nica Gold S.A.	274,603	64,502	210,101
Total Acquisition Costs	$1,010,147	$120,338	$889,809

(In Canadian Dollars)

NOTE 5. - MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Deferred Exploration Costs	**Balance March 31, 2006**	**Quarter Ended March 31, 2006**	**Balance December 31, 2005**
Minerales EL Prado S.A. de C.V.			
La Cecilia			
Assays	3,744	0	3,744
Geological Consulting and Labour	5,228	0	5,228
Travel and Accommodation	494	0	494
	9,466	0	9,466
Cucaracha Dorada			
Assays	5,230	0	5,230
Geological Consulting and Labour	40,990	0	40,990
Camp and Supplies	35,813	0	35,813
Travel and Accommodation	12,925	0	12,925
	94,958	0	94,958
La Gitana			
Assays	352,605	25,805	326,800
Drilling	1,134,881	269,660	865,221
Geological Consulting and Labour	793,150	111,489	681,661
Helicopter rental	565,036	0	565,036
Camp and Supplies	617,424	42,569	574,855
Travel and Accommodation	210,298	14,686	195,612
	3,673,394	464,209	3,209,185
La Calavera			
Geological Consulting and Labour	95,079	17,172	77,907
Camp and Supplies	48,271	3,339	44,932
Travel and Accommodation	23,700	3,166	20,534
	167,050	23,677	143,373
Mexico Regional			
Assays	103,401	15,479	87,922
Geological Consulting and Labour	651,168	52,897	598,271
Camp and Supplies	214,270	3,913	210,357
Travel and Accommodation	224,612	9,536	215,076
	1,193,451	81,825	1,111,626
Total Minerales EL Prado S.A.de C.V.	5,138,319	569,711	4,568,608

(In Canadian Dollars)

NOTE 5. - MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Deferred Exploration Costs	**Balance March 31, 2006**	**Additions During the Quarter Ended March 31, 2006**	**Balance December 31, 2005**
Nica Gold S.A.			
Assay	11,897	0	11,897
Geological Consulting and Labour	78,082	1,338	76,744
Camp and Supplies	107,742	0	107,742
Travel and Accommodation	24,131	0	24,131
Subtotal	221,852	1,338	220,514
Total Deferred Exploration Costs	5,360,171	571,049	4,789,122
Total Acquisition Costs and Deferred Exploration Costs	6,370,318 $	691,387 $	5,678,931

NOTE 6. - CAPITAL STOCK

(a) Issued and outstanding:

	2006			2005		
	Shares		$	Shares		$
Balance, December 31, 2005 and December 31, 2004	19,752,795	$	33,191,960	17,898,425	$	27,808,981
Issued (cancelled) during the period Option exercised	-		-	6,570		9,855
Stock-based compensation on options exercised	-		-	-		29,174
Balance, March 31, 2006 and March 31, 2005	19,752,795	$	33,191,960	17,904,995	$	27,848,010

(b) There are 375,000 common shares in escrow as at March 31, 2006 subject to release upon approval of regulatory authorities.

(c) The Company has a stock option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of shares pursuant to the grant of options to purchase common shares. The option plan is administered by the Board of Directors. Options may be granted to purchase shares on such terms as the Board may determine within the limitations of the option plan and subject to the rules of applicable regulatory authorities.

(In Canadian Dollars)

NOTE 6. - CAPITAL STOCK (cont'd)

The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 3,348,000 common shares.

The exercise price for options may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option. In February, 2002 the Company granted 160,000 options at a price of $1.50 per share with a maximum term of 5 years . As at March 31, 2006, 43,300 options exercisable at a price of $1.50 per share remain outstanding.

In December 2003, the Company granted options to directors, officers and employees to acquire 1,150,000 common shares at a price of $3.30 per share for a term of 5 years, expiring December 12, 2008 (1,125,000 options remain granted). These options are subject to vesting over 4 years with 25% of the options granted vesting on each anniversary of the date of the grant.

The following director and employee stock options are outstanding at March 31, 2006

Number of Shares	Price Per Share	Maturity Date
43,300	$1.50	February 18, 2007
1,125,000	$3.30	December 12, 2008
1,168,300		

(d) The Company has reserved shares for the following potential issuances:

Stock Option Plan - not granted	1,238,000
Stock Option Plan - granted	1,168,300
	2,406,300
TOTAL	2,406,300

NOTE 6. - CAPITAL STOCK (cont'd)

(e) Stock-Based Compensation

See significant accounting policy Note 2(f). Stock options outstanding at March 31, 2006:

Options Outstanding			
Number Outstanding at March 31, 2006	Weighted-Average Remaining Contractual Life (years)	Exercise Price (Expressed in CDN$)	Number Exercisable at March 31, 2006
43,300	0.89	$1.50	43,300
1,125,000	2.70	$3.30	1,125,000
1,168,300	1.20	$1.60	1,168,300

The fair value of these options was determined using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following assumptions:

Options not yet forfeited	1,168,300
Options granted during the year ended 2005	0
Expected forfeited per year	0
Stock price	3.65
Risk free interest rate	4.27%
Expected volatility	42%
Expected dividend yield	$0

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical volatility rates of the Company to arrive at an estimate of expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore do not necessarily provide a reliable measure of the fair value of the Company's stock options.

NOTE 7. - RELATED PARTY TRANSACTIONS

(a) A company controlled by P. Randy Reifel, President and Director and shareholder of Chesapeake, provides management services to the Company at the contract rate of $175,000 per year, and $43,750 is recorded for the three months ended March 31, 2006 and 2005, respectively. The Company also leases office space and facilities from the same private company at the rate of $2000 per month.

NOTE 8. - FINANCIAL INSTRUMENTS

(b) For cash and long term investments, accounts receivable, marketable securities, and accounts payable and accrued liabilities, the carrying amounts of these financial instruments approximates their fair value due to their short term maturity or capacity of prompt liquidation.

(c) Foreign exchange risk.

The Company incurs certain of its expenses and holds certain assets in currencies other than the Canadian dollar. As such the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates.

NOTE 9. - MARKETABLE SECURITIES

The Company owns 650,000 common shares of VRB Power Systems Inc. ("VRB") and 500,000 common shares of New World Resources Corp. ("New World") which are recorded at a total cost of $110,000 and $137,500, respectively. The market value of the VRB and New World shares at March 31, 2006 is $0.78 per share, and $1.23 per share, respectively, for a total of $814,500.

NOTE 10. - INCOME TAXES

Income tax expense of $54,980 is recorded for the quarter ended March 31, 2006 resulting in total income taxes payable of $253,489 at March 31, 2006.

NOTE 11. - ASSET RETIREMENT OBLIGATIONS

At the present time, the Company has concluded that there are no asset retirement obligations associated with the mineral properties in subsidiaries.

NOTE 12. - SUBSEQUENT EVENT

On March 3, 2006 the Company signed an agreement to merge with American Gold Capital Corporation ("American Gold"), the latter is also a public company listed on the TSX Venture Exchange. Pursuant to the agreement, Chesapeake will issue for every one (1) outstanding common share of American Gold (i) 0.29 Chesapeake common shares ("Shares"), and (ii) 0.145 Chesapeake common share purchase warrants ("Warrants") and (iii) 0.29 Chesapeake rights ("Rights"). Based on 30,855,525 outstanding common shares of American Gold. This would result in an additional issuance by Chesapeake of approximately 8,948,102 shares, 4,474,051 Warrants and 8,948,102 Rights.

Each warrant will entitle the holder to purchase one (1) Chesapeake common share at $8.00 for a term of 5 years. Each right will be exercisable on or after each date (the "Exchange Date") when the average London PM fix closing trading price of gold for the trading days on such market during any 90 day period is equal to or greater than US$850 per ounce, for one (1) Chesapeake common share at $1.00 each for a term of five years (which will be extended by one year if the trading price for gold has been at or above US$850 per ounce on any day during the last six months of the five year term).

NOTE 12. - SUBSEQUENT EVENT (cont'd)

If the proposed transaction is completed it is anticipated that Chesapeake will have a total of 28,700,897 shared issued and outstanding. Of these shares approximately 68.8% will be held by existing Chesapeake shareholders and 31.2% will be held by the existing American Gold shareholders. The combined company will have approximately $40 million dollars in cash, cash equivalents and long term investments of approximately $26 million from Chesapeake and approximately $14 million from American Gold. In addition it is anticipated that American Gold shareholders will hold warrants to acquire a further approximately 9.1 million shares which if fully exercised would represent approximately 53.4% of the then issued outstanding shares of the Company.

The proposed transaction is subject to due diligence, regulatory approvals and approval from the shareholders. The Board of Directors from both companies have unanimously approved the merger agreement. Each company has agreed not to solicit third party interest in alternative transactions. A $3.0 million break fee is payable by either company if it terminates the merger agreement to accept a third party attentive proposal. Subject to the satisfaction of the aforementioned conditions the merger is expected to be completed on or before July 17, 2006 or such later date as may be mutually agreed upon.