



## **CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended December 31, 2007 and 2006  
And Auditors' Report

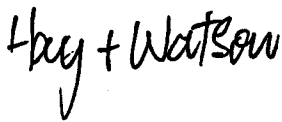
## AUDITORS' REPORT

### **To the Shareholders of Chesapeake Gold Corp.**

We have audited the consolidated balance sheets of Chesapeake Gold Corp. as at December 31, 2007 and 2006 and the consolidated statements of loss and deficit, cash flows, shareholders' equity and mineral properties for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Vancouver, British Columbia  
April 25, 2008

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2007 AND 2006**  
**(Expressed in Canadian Dollars)**

	2007	2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,087,176	\$ 13,879,458
Marketable securities (note 3)	8,082,890	9,048,339
Accounts receivable	287,667	77,971
Prepaid expenses	252,762	269,018
	<u>22,710,495</u>	<u>23,274,786</u>
<b>Asset Backed Commercial Paper (note 3)</b>	<b>8,193,181</b>	<b>-</b>
<b>Portfolio Investments (note 3)</b>	<b>642,250</b>	<b>984,000</b>
	<u>8,835,431</u>	<u>984,000</u>
<b>Investment in Mineral Properties (note 4)</b>		
Mineral concessions	73,907,291	938,365
Deferred exploration costs	8,200,233	5,327,304
	<u>82,107,524</u>	<u>6,265,669</u>
<b>Fixed Assets (note 5)</b>	<b>289,723</b>	<b>301,631</b>
<b>TOTAL ASSETS</b>	<b>\$ 113,943,173</b>	<b>\$ 30,826,086</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	\$ 839,989	\$ 443,099
Income taxes payable (note 6)	2,953,691	2,412,455
	<u>3,793,680</u>	<u>2,855,554</u>
<b>Future income tax liabilities (note 6)</b>	<b>23,499,871</b>	<b>-</b>
<b>Reclamation obligations (note 9)</b>	<b>58,000</b>	<b>58,000</b>
	<u>27,351,551</u>	<u>2,913,554</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 7)	87,800,891	33,300,858
Contributed surplus	9,866,690	1,478,777
Accumulated other comprehensive income (loss)	(1,668,397)	67,149
Deficit	(9,407,562)	(6,934,252)
	<u>86,591,622</u>	<u>27,912,532</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 113,943,173</b>	<b>\$ 30,826,086</b>

APPROVED ON BEHALF OF THE BOARD:

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

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
**For the Years Ended December 31, 2007 and 2006**  
**(Expressed in Canadian Dollars)**

	<b>2007</b>	<b>2006</b>
<b>GENERAL AND ADMINISTRATION EXPENSES</b>		
Amortization	\$ 81,284	\$ 90,978
Bank charges and interest	82,394	45,829
Geological consulting fees	224,899	91,259
Filing and transfer agent fees	96,047	21,490
Management fees (note 8)	175,000	175,000
Office and administration	1,000,257	575,522
Professional fees	419,267	460,938
Stock based compensations (note 7)	167,102	482,903
Travel and investor communications	191,808	63,256
<b>OPERATING LOSS</b>	<b>2,438,058</b>	<b>2,007,175</b>
<b>OTHER INCOME/(EXPENSES)</b>		
Interest and other income	1,204,169	1,581,946
Impairment loss on asset backed commercial paper (note 3)	(1,016,460)	-
Foreign exchange gains (losses)	548,060	(42,942)
Write down of mineral properties	-	(1,656,857)
Write down of carrying value of marketable securities	-	(436,720)
	<b>735,769</b>	<b>(554,573)</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>(1,702,289)</b>	<b>(2,561,748)</b>
Provision for current income taxes	(314,395)	(373,830)
Provision for future income taxes	(456,626)	-
	<b>(771,021)</b>	<b>(373,830)</b>
<b>NET LOSS</b>	<b>\$ (2,473,310)</b>	<b>\$ (2,935,578)</b>
<b>DEFICIT, beginning of year</b>	<b>(6,934,252)</b>	<b>(3,998,674)</b>
<b>DEFICIT, end of year</b>	<b>\$ (9,407,562)</b>	<b>\$ (6,934,252)</b>
<b>LOSS PER SHARE</b>		
Basic and diluted	\$ (0.09)	\$ (0.15)
<b>Weighted Average Number of Shares Outstanding</b>		
Basic and diluted	27,605,612	19,753,850

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2007 and 2006**  
**(Expressed in Canadian Dollars)**

	2007	2006
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (2,473,310)	\$ (2,935,578)
Items not affecting cash:		-
Amortization	81,284	90,978
Recovery of future income taxes	456,626	-
Impairment loss on asset backed commercial paper (note 3)	1,016,460	-
Stock-based compensation	167,102	482,903
Write down of mineral properties	-	1,656,857
Write down of carrying value of marketable securities	-	436,720
Changes in non-cash working capital items:		-
Accounts receivable	(209,696)	(7,810)
Prepaid expenses	16,256	(242,013)
Accounts payable and accrued liabilities	112,793	51,244
Income taxes payable	263,032	373,830
	<b>(569,453)</b>	<b>(92,869)</b>
<b>Investing activities</b>		
Marketable securities	(303,347)	1,636,359
Mineral property acquisition costs	(726,811)	(596,183)
Deferred exploration costs	(2,769,354)	(1,731,412)
Cash received from acquisition of American Gold (note 1)	13,040,000	-
Fixed assets purchased	(69,376)	(28,815)
	<b>9,171,112</b>	<b>(720,051)</b>
<b>Financing activities</b>		
Cash received on issue of shares	815,700	16,500
	<b>815,700</b>	<b>16,500</b>
		-
<b>CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	<b>9,417,359</b>	<b>(796,420)</b>
<b>RECLASSIFICATION OF ASSET BACKED COMMERCIAL PAPER (note 3)</b>	<b>(9,209,641)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>13,879,458</b>	<b>14,675,878</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 14,087,176</b>	<b>\$ 13,879,458</b>
<b>Supplementary information</b>		
Interest paid	\$ 80,529	\$ 45,829
Shares issued for mineral properties	105,000	84,000
Portfolio investments received as option proceeds	125,000	282,500
Shares issued for acquisition of American Gold (note 1)	53,230,572	-
Warrants issued for acquisition of American Gold (note 1)	8,569,572	-
Future income tax liability arising on acquisition of American Gold (note 1)	23,043,245	-
Liabilities assumed on acquisition of American Gold (note 1)	562,301	-

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Years Ended December 31, 2007 and 2006**  
**(Expressed in Canadian Dollars)**

	Share Capital	Contributed surplus	Accumulated other comprehensive income (loss)	Comprehensive Loss	Deficit	Shareholders' Equity Total
Balance, December 31, 2005	\$ 33,191,960	\$ 1,004,272	\$ -	\$ -	\$ (3,998,674)	\$ 30,197,558
Net loss	-	-	-	(2,935,578)	(2,935,578)	(2,935,578)
Unrealized gain on investments arising in previous years	-	-	141,460	-	-	141,460
Unrealized loss on investments in current year	-	-	(74,311)	(74,311)	-	(74,311)
Shares issued for mineral properties	84,000	-	-	-	-	84,000
Shares issued for cash on exercise of stock options	16,500	-	-	-	-	16,500
Transfer from contributed surplus on exercise of options	8,398	(8,398)	-	-	-	-
Stock-based compensation charged to operations	-	482,903	-	-	-	482,903
<b>Balance, December 31, 2006</b>	<b>\$ 33,300,858</b>	<b>\$ 1,478,777</b>	<b>\$ 67,149</b>	<b>\$ (3,009,889)</b>	<b>\$ (6,934,252)</b>	<b>\$ 24,902,643</b>
Balance, December 31, 2006	\$ 33,300,858	\$ 1,478,777	\$ 67,149	\$ -	\$ (6,934,252)	\$ 27,912,532
Net loss	-	-	-	(2,473,310)	(2,473,310)	(2,473,310)
Unrealized loss on investments in current year	-	-	(1,735,546)	(1,735,546)	-	(1,735,546)
Shares issued for mineral properties	105,000	-	-	-	-	105,000
Shares issued for acquisition of American Gold (Note 1)	53,230,572	-	-	-	-	53,230,572
Warrants issued for acquisition of American Gold (Note 1)	-	8,569,572	-	-	-	8,569,572
Shares issued for cash on exercise of stock options	815,700	-	-	-	-	815,700
Transfer from contributed surplus on exercise of options	348,761	(348,761)	-	-	-	-
Stock-based compensation charged to operations	-	167,102	-	-	-	167,102
<b>Balance, December 31, 2007</b>	<b>\$ 87,800,891</b>	<b>\$ 9,866,690</b>	<b>\$ (1,668,397)</b>	<b>\$ (4,208,856)</b>	<b>\$ (9,407,562)</b>	<b>\$ 86,591,622</b>

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES**

For the Years Ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

	American Gold		Cucaracha Dorada	La Gitana	Minerales El Prado S.A. de C.V.				Tatatila	Regional	Nica Gold S.A.	Total
	Talapoosa	Metates			La Calavera	La Cecilia	El Tecomate	Nicaragua				
<b>Acquisition costs</b>												
Balance, December 31, 2005	\$ -	\$ -	\$ 96,962	\$ 153,271	\$ 134,966	\$ 31,273	\$ -	\$ -	\$ 263,236	\$ 210,101	\$ 889,809	
Additions	-	-	2,585	18,297	125,612	1,574	10,260	-	451,966	85,436	695,730	
	-	-	99,547	171,568	260,578	32,847	10,260	-	715,202	295,537	1,585,539	
<b>Deferred exploration costs</b>												
Balance, December 31, 2005	-	-	94,958	3,209,185	143,373	9,466	-	-	1,111,626	220,514	4,789,122	
Assays	-	-	-	41,963	2,248	3,981	23,808	-	203,122	-	275,122	
Drilling	-	-	-	269,660	-	-	-	-	-	-	269,660	
Geological and engineering	-	-	-	192,475	38,469	-	46,577	-	493,699	1,338	772,558	
Helicopter rental	-	-	-	-	-	-	-	-	-	-	-	
Camp and supplies	-	-	35	67,287	10,310	1,982	3,134	-	112,287	4,335	199,370	
Reclamation obligations	-	-	-	58,000	-	-	-	-	-	-	58,000	
Travel and accomodation	-	-	1,337	22,549	7,078	135	5,280	-	218,064	1,212	255,655	
	-	-	96,330	3,861,119	201,478	15,564	78,799	-	2,138,798	227,399	6,619,487	
Option proceeds (note 4)	-	-	(282,500)	-	-	-	-	-	-	-	(282,500)	
Writedown of costs	-	-	86,623	-	-	-	-	-	(1,350,000)	(393,480)	(1,656,857)	
<b>Balance December 31, 2006</b>	\$ -	\$ -	\$ -	\$ 4,032,687	\$ 462,056	\$ 48,411	\$ 89,059	\$ -	\$ 1,504,000	\$ 129,456	\$ 6,265,669	
<b>Acquisition costs</b>												
Balance, December 31, 2006	\$ -	\$ -	\$ 99,547	\$ 171,568	\$ 260,578	\$ 32,847	\$ 10,260	\$ -	\$ 715,202	\$ 295,537	\$ 1,585,539	
Acquisition of American Gold (Note 1)	52,152,368	20,213,322	-	12,700	201,697	49,068	85,703	23,758	70,887	337,473	72,365,690	
Additions	-	50,526	-	-	-	-	-	-	-	-	831,811	
	52,152,368	20,263,848	99,547	184,268	462,275	81,915	95,963	23,758	786,089	633,010	74,783,040	
<b>Deferred exploration costs</b>												
Balance, December 31, 2006	-	-	96,330	3,861,119	201,478	15,564	78,799	-	2,138,798	227,399	6,619,487	
Assays	-	17,743	-	-	-	-	46,574	14,189	56,467	-	134,973	
Drilling	-	115,555	-	-	-	-	-	-	-	-	115,555	
Geological and engineering	103,172	1,339,489	-	33,581	20,784	11,915	291,149	92,745	156,605	-	2,049,441	
Camp and supplies	26,036	192,204	-	24,596	4,534	-	70,182	23,053	72,190	-	412,794	
Travel and accomodation	-	107,929	-	6,437	8,086	1,214	59,165	30,978	70,383	-	284,192	
	129,208	1,772,920	96,330	3,925,733	234,882	28,693	545,869	160,964	2,494,443	227,399	9,616,442	
Option proceeds (note 4)	-	-	(282,500)	-	(228,575)	-	-	-	-	-	(511,075)	
Writedown of costs	-	-	86,623	-	-	-	-	-	(1,474,026)	(393,480)	(1,780,883)	
<b>Balance December 31, 2007</b>	\$ 52,281,576	\$ 22,036,768	\$ -	\$ 4,110,000	\$ 468,582	\$ 110,608	\$ 641,832	\$ 184,722	\$ 1,806,507	\$ 466,929	\$ 82,107,524	

See Accompanying Notes to the Consolidated Financial Statements

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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### 1. NATURE OF OPERATIONS

Chesapeake Gold Corp. (“Chesapeake” or the “Company”) is a Canadian mining company focused on the exploration, development and recovery of precious metals. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The Company’s operations during the year ended December 31, 2007 were directed towards the exploration of the Company’s property interests located in Mexico, Nicaragua, and the United States.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to do so is dependent on obtaining additional financing, through the issue of treasury shares and/or from loans, to complete the exploration and development of its mineral property interests and to commence profitable operations. These consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company was unable to continue its operations in the normal course of business.

On February 23, 2007 the Company acquired through its subsidiary company, 0769783 B.C. Ltd. (“Subco”), all the outstanding shares of American Gold Capital Corporation (“American Gold”) by undertaking the following transactions:

- a. amalgamating Subco and American Gold, with American Gold as the corporation surviving the amalgamation;
- b. issuing 9,020,602 common shares and 902,060 Series 1 Class A shares with a total fair value of \$53.2 million for the 31,105,525 common shares of American Gold outstanding as of February 23, 2007 on the basis of 0.29 of a common share and 0.029 of a Series 1 Class A share of the Company for one American Gold common share; the fair value of the common shares was based on the average trading price of the shares for the period covering two days before and after the agreement and announcement of the acquisition, and the fair value of the series 1 Class A shares was based on their redemption value;
- c. exchange of each outstanding American Gold warrant for 0.29 of a Chesapeake warrant with a fair value of \$8.6 million based on the Black-Scholes option pricing model using the following assumptions;

Risk free interest rate	4.27%
Expected volatility	42%
Expected years of option life	5 years
Expected dividends	\$Nil

- d. the fair values of the net assets acquired were:

Cash	\$	13,040,000
Mineral properties and other assets		72,365,690
Liabilities		(562,301)
Future income tax liability		(23,043,245)
	\$	<u>61,800,144</u>

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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### 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these consolidated financial statements are as follows:

#### *Basis 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. ("MEP"), Nica Gold S.A. ("Nica Gold"), and beginning February 23, 2007, American Gold Capital Corporation ("American Gold"), and Cascade Metals Inc. (individually and collectively referred to as the "Company"). All significant inter-company transactions and balances have been eliminated upon consolidation.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates used in the preparation of these financial statements include, amongst other things, the recoverability of accounts receivable, the impairment and future recoverability of the carrying value of asset backed commercial paper, the measurement of the fair values of investments, estimated accruals of reclamation obligations, amortization, determination of the net recoverable value of assets, share based compensation, fair value of warrants issued, determination of the future tax assets and liabilities and contingencies, and the expected economic lives of and the estimated future operating results and net cash flows from mineral properties and fixed assets.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on account and investments such as term deposits and guaranteed investment certificates with major financial institutions, having a term to maturity of three months or less at the date of acquisition, that are readily convertible into known amounts of cash.

#### *Comprehensive loss*

Comprehensive loss comprises the Company's net loss and other comprehensive loss. Other comprehensive loss represents changes in shareholders' equity during a period arising from non-owner sources and, for the Company, principally includes unrealized gains and losses on available for sale financial assets. The Company's comprehensive loss, components of other comprehensive loss, and accumulated other comprehensive income are presented in the Consolidated Statements of Shareholders' Equity.

**CHESAPEAKE GOLD CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial assets and financial liabilities*

The Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants (“CICA”) for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income during the fiscal year ended December 31, 2006. Since that was the first year in which this policy had been applied, the opening balance of accumulated other comprehensive income included the difference between the cost and fair value of available for sale financial assets of \$141,460 at the end of the previous fiscal year.

The Company’s financial assets and financial liabilities are classified as follows:

- Accounts receivable are classified as “loans and receivables”. They are measured at amortized cost. At December 31, 2007 and 2006, the recorded amount approximates fair value.
- Marketable securities and portfolio investments are classified as “available for sale”. Available for sale assets and liabilities are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the instrument is either sold or suffers an impairment that is other than temporary. Fair values of investments which are traded on a recognized exchange are reported at the bid prices on the last day they were traded.
- Asset backed commercial paper (Note 3) is classified as “held to maturity”. Held to maturity assets and liabilities are measured at amortized cost, with amortization of premium or discounts, losses and impairment included in current period operations. At December 31, 2007, the recorded amount approximates fair value.
- Accounts payable and accrued liabilities are classified as “other financial liabilities” and are measured at amortized cost. At December 31, 2007 and 2006, the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and asset backed commercial paper. To reduce credit risk, cash and cash equivalents are on deposit at major financial institutions.

The Company incurs certain expenses 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.

The Company’s financial instruments include marketable securities and portfolio investments which are publicly traded and therefore are subject to the market risks that affect all publicly traded securities. Some of these investments are thinly traded which could result in lower quoted market values.

**CHESAPEAKE GOLD CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial assets and financial liabilities (continued)*

The Company's financial instruments may include bankers' acceptances, treasury bills, and bonds. These instruments bear a fixed rate of interest and a fixed maturity date. If the Company is required to liquidate them prior to the maturity date, there is a risk that interest rates will have increased such that the market value of the instrument is less than the expected value.

*Foreign Currency Translation*

The Company's subsidiaries are considered integrated foreign operations. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using historical rates. Revenue and expense items are translated at exchange rates prevailing at the time of the transaction. Foreign exchange gains and losses are included in operations.

*Investment in Mineral Properties*

The Company's mineral property interests are composed of rights to explore for, develop and mine minerals under permit, and licences from or leases with governments in Mexico, Nicaragua, and the United States. These agreements require fees, rentals, deposits and work commitments. The Company's rights to mineral properties are described in Note 4.

The Company accounts for its mineral properties whereby costs relative to the acquisition, exploration and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to earnings. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves. Once commercial production commences, these net costs will be charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties and initial geological and other evaluation costs are charged to operations.

The amounts shown for mineral properties and related costs represent acquisition, holding and exploration costs and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders who are providing this financing and upon future profitable production.

**CHESAPEAKE GOLD CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investment in Mineral Properties (continued)*

The Company reviews the carrying values of its investment in mineral properties whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts, based on management's judgments and assumptions regarding estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value and the excess is not recoverable.

*Fixed assets*

Fixed assets are recorded at cost. Amortization is provided at annual rates on a declining balance basis over the estimated useful lives of assets as follows:

Office, furniture and computer equipment	30%
Vehicles	25%
Exploration equipment	10%

The Company reviews the carrying values of its fixed assets whenever events or changes in circumstances indicate their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

*Asset retirement obligations*

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets. These obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying future cash flows. The asset retirement cost is capitalized to the related asset and amortized into earnings over time.

As of December 31, 2007, the Company has determined that it does not have any material obligations for asset retirement obligations.

**CHESAPEAKE GOLD CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Income recognition*

Interest from cash and cash equivalents and fixed income marketable securities is recorded on an accrual basis when collection is reasonably assured.

*Stock-based compensation*

The Company has a stock option plan that is described in note 7(c). The Company recognizes all stock-based compensation using the fair value method.

Under the fair value method, compensation costs, equal to the fair value of the options on the date of grant, are recorded, with an offsetting credit to contributed surplus, over the vesting period. Consideration received upon exercise of the stock options is credited to share capital and the contributed surplus related to the recognized fair value of the options exercised is transferred to share capital to fully reflect the consideration for the shares issued.

*Income taxes*

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future tax benefits of unused tax losses and other deductions carried forward are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are either settled or realized.

**CHESAPEAKE GOLD CORP.**  
Notes to the Consolidated Financial Statements  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Loss per share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as the outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the “treasury stock method” is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the year.

*Comparative Amounts*

Certain prior period amounts have been reclassified to conform to the classifications adopted in the current year’s presentation.

**New accounting pronouncements**

*Financial instrument disclosures*

In March 2007, the CICA issued Section Handbook 3862, Financial Instruments - Disclosures, and Section 3863, Financial instruments - Presentation, which together compromise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. These Sections apply to fiscal years beginning on or after October 1, 2007. Section 3862 requires disclosure of additional details by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company will implement these disclosures in the first quarter of 2008. The adoption of these Sections is not expected to have an impact the Company’s financial position or results of operations.

*Capital disclosures*

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures, which also applies to fiscal years beginning on or after October 1, 2007. This Section establishes standards for disclosing information about an entity's capital and how it is managed. The Company will implement these disclosures in the first quarter of 2008.

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

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### 3. INVESTMENTS

	2007		2006	
	Cost	Fair value	Cost	Fair value
<b>Marketable securities</b>				
Fixed income securities, equities and equity funds	\$ 9,598,775	\$ 8,082,890	\$ 9,297,931	\$ 9,048,339
<b>Asset backed commercial paper</b>	\$ 8,193,181	\$ 8,193,181	\$ -	\$ -
<b>Portfolio investments</b>				
Pinnacle Mines Ltd.	\$ 125,000	\$ 60,000	\$ -	\$ -
West Timmins Mining Inc.	-	182,750	-	-
Christopher James Gold Corp.	226,000	76,000	226,000	220,000
VRB Power System Inc.	110,000	123,500	110,000	364,000
New World Resources Corp.	275,000	200,000	275,000	400,000
	\$ 736,000	\$ 642,250	\$ 611,000	\$ 984,000

As described in Note 2, the new accounting recommendations of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income require that all non-derivative financial assets be measured at fair value and that changes in fair value be reported in other comprehensive loss. The Company adopted this recommendation during the fiscal year ended December 31, 2006.

#### *Asset Backed Commercial Paper*

As at December 31, 2007, the Company had invested \$9,209,641 in highly liquid, third party sponsored Asset Backed Commercial Paper ("ABCP") which was rated as "R1-High" by Dominion Bond Rating Service at the time of purchase. ABCP typically had terms of less than 365 days and the repayment of maturing ABCP was dependant on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP. In mid-August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not repay the ABCP due to unfavourable conditions in the Canadian capital markets.

The Company had classified its ABCP as a held-to-maturity investment. Presently there is no active market, and therefore no price determinable by reference to a market, for the Company's ABCP. The funds also cannot be accessed until the restructuring announced by the Pan-Canadian Investors Committee on December 23, 2007 has been completed and the restructured investments begin to trade on an active market. The proposed restructuring plan was approved by noteholders on April 25, 2008, and is expected to be finalized in May. The Directors of the Company will consider any new information upon the completion of the restructuring and its implication on the carrying value of the Company's ABCP.

# **CHESAPEAKE GOLD CORP.**

## Notes to the Consolidated Financial Statements

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### **3. INVESTMENTS (continued)**

Based on the Pan-Canadian Investors Committee proposal and on discussions in January 2008 with the Company's financial adviser and the sponsor of its ABCP, the Company expects that approximately 100% of the value of its investment in ABCP will be issued in the form of new notes having a maturity greater than 1 year. On the basis of the information obtained in the meeting with the sponsor of its ABCP, the Company has classified its investment in ABCP on the balance sheet as a long term asset, and, using the discounted cash flow method based on the proposed restructuring and assuming a discount rate of 5.5%, has estimated the current fair value of its ABCP as \$8,193,181, and has recorded an impairment loss of \$1,016,460 in operations.

The Company's current fair value estimate assumes that the restructuring will be completed successfully and has been calculated without the benefit of full knowledge of the underlying assets of the trust, as this information has not been provided. The estimate is also based on an assessment of prevailing market conditions, which may change in subsequent periods. Possible changes that could have a material effect on the current carrying value of the ABCP include changes in value of the underlying assets, developments related to the liquidity of the ABCP market, the final outcome of the restructuring proposals including timing of cash flows, and a change in economic conditions and expected interest rates.

### **4. MINERAL PROPERTIES**

#### (a) Metates Property, Durango State, Mexico

The Company holds a 100% interest in five exploitation concessions totaling 2,420 hectares. The concessions are registered in the name of American Gold Metates S. de R.L. de C.V., a wholly owned subsidiary of the Company. A 1.5% net smelter royalty ("NSR") is payable to Lusimin S.A. de C.V., a subsidiary of Goldcorp Inc.

#### (b) La Gitana Property, Oaxaca State, Mexico

The La Gitana Property comprises one mineral concession totaling 494 hectares. MEP acquired a 75% interest in the concession from Luismin S.A. de C.V., a wholly-owned subsidiary of Goldcorp Inc., by spending US\$2.0 million in exploration expenditures. MEP has staked twelve other concessions totaling 117,039 hectares along a northwest trend extending from the La Gitana Property.

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**4. MINERAL PROPERTIES (continued)**

(c) La Calavera Property, Oaxaca State, Mexico

MEP has an option to acquire a 100% interest in two mineral concessions comprising 8,247 hectares ("La Calavera Project") in Oaxaca State. One concession is being acquired by making staged property payments totaling US\$490,000 over four years, which includes a US\$430,000 final payment. The vendors will retain a 1.25% NSR which can be purchased for US\$2.0 million. The second concession can be acquired through the issue of 150,000 shares of the Company over five years to 2009, of which 70,000 shares have been issued. The vendor will retain a 2% NSR royalty on the second concession, of which 1% can be purchased for US\$2.0 million. The Company has also agreed to undertake US\$2.6 million in exploration expenditures on the La Calavera Project over five years.

On May 9, 2007 the Company signed an option agreement with Pinnacle Mines Ltd. ("Pinnacle") whereby Pinnacle has the right to acquire up to a 70% interest in the La Calavera Project and two additional mineral concessions ("Rio Minas") (collectively the "Properties") comprising 19,510 hectares. Pinnacle can earn a 51% interest in the Properties by issuing 100,000 common shares and a US\$50,000 cash payment upon signing the agreement and by issuing a further 150,000 shares on September 1, 2007. On or within the first anniversary of the agreement date, Pinnacle is also required to pay an additional US\$50,000 cash, issue 250,000 shares (received in subsequent period) and commit US\$500,000 for exploration expenditures on the properties. On the second, third, and fourth anniversaries, Pinnacle is required to pay the Company US\$400,000 per year by way of cash or shares and commit to work expenditures in years 2 to 5 of US\$1,250,000, US\$1,250,000, US\$1,500,000 and US\$1,500,000, respectively. Pinnacle has an option to earn an additional 19% interest by completing a bankable feasibility study by year 8, by paying the Company US\$3.0 million (cash and/or shares) and by providing production financing for the properties.

The TSX Venture Exchange accepted the option agreement for filing on May 18, 2007. The Company has received a US\$100,000 cash payment and 500,000 common shares of Pinnacle pursuant to the formal agreement.

(d) La Cecilia Property, Sonora State, Mexico

MEP has an option 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. MEP 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 (November 4, 2004)  
US\$15,000 on the first anniversary; (paid)  
US\$20,000 on the second anniversary; (paid)  
US\$25,000 on the third anniversary; (paid) and finally  
US\$30,000 on the fourth anniversary.

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

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### 4. MINERAL PROPERTIES (continued)

#### (e) El Tecomate Property, Durango and Sinaloa State, Mexico

MEP has an option to acquire a 100% interest in two mineral concessions (El Tecomate and Tatemates) in Durango State. To acquire El Tecomate MEP has agreed to property payments totaling US\$500,000 over five years to 2009, which includes a US\$450,000 final payment. The vendor retains a 1% NSR which can be purchased for US\$500,000. MEP has agreed to payments totaling US\$500,000 over five years which includes US\$420,000 as the final payment, to acquire the Tatemates concession. The vendor retains a 1% NSR which can be purchased for US\$1.0 million. Two adjacent contiguous claims, El Volcan and La Verdoza, were staked by MEP and extend across the border into Sinaloa State. The four mineral concessions cover 10,695 hectares.

#### (f) Tatatila Project, Veracruz State, Mexico

MEP has acquired through purchase, joint venture and staking the Tatatila project which collectively encompasses 29,561 hectares in Veracruz state. For acquisition, MEP optioned seven concessions of a National Mineral Reserve totaling 2,767 hectares from the Consejo de Recursos Minerales de Mexico (CRM), a mining division of the Mexican government. MEP has agreed to payments totaling US\$56,000 to the CRM over 3 years. On September 7, 2007, the Company signed a letter agreement with Bell Resources Corporation optioning five concessions totaling 1,271 hectares whereby the Company can earn a 90% interest by making staged payments totaling US\$1,410,000 and incurring US\$1.4 million in exploration expenditures over 4 years. Adjacent to and surrounding the negotiated concessions, MEP staked one concession comprising 25,523 hectares.

#### (g) Regional Properties, Chihuahua State, Mexico

MEP has acquired, by staking, eight mineral concessions in Chihuahua State, Mexico, totaling 120,335 hectares.

#### (h) Talapoosa Property, Nevada State, U.S.A.

Through its wholly owned subsidiary, American Gold, the Company owns a 100% interest in 475 unpatented lode mining claims in Lyon County, Nevada. The annual assessment fees to the Bureau of Land Management are approximately US\$60,000 for these claims. A 5% NSR and 4.5% NSR exists on 124 and 26 unpatented claims, respectively.

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**4. MINERAL PROPERTIES (continued)**

(i) Nicaragua

Nica Gold has acquired through staking one mineral concession, La Union, totaling 24,500 hectares in Nicaragua.

On March 23, 2007 Nica Gold has entered into an option agreement to acquire the Santo Domingo property in Nicaragua from the Cooperative Small Miners of Santo Domingo ("Coop"). Nica Gold has agreed to make staged payments totaling US\$3.0 million (including an initial US\$250,000 payment upon signing the option agreement) over four years to acquire Santo Domingo. The option agreement is subject to the approval of the Ministry of Energy ("MEM") as well as certain conditions to be met by the Coop. The vendors retain a 2.5% NSR that can be purchased in installments totaling US\$5.0 million at anytime.

At present the MEM has approved the title transfer to Nica Gold but to date the Coop has not met the agreed conditions. MEM has authorized the release of the funds in trust to Nica Gold and will not issue a work permit for the project to the Coop or any third party until the Coop resolves the outstanding terms agreed in the option agreement. The Company has advised the Coop it will seek additional compensation of US\$450,000 for breach of contract in the event the terms of the option agreement are not met.

**5. FIXED ASSETS**

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office, furniture and equipment	\$ 42,421	\$ 27,486	\$ 14,935	\$ 39,421	\$ 23,627	\$ 15,794
Computer equipment	46,262	28,614	17,648	50,761	23,544	27,217
Vehicles	249,604	144,956	104,648	246,146	144,109	102,037
Exploration equipment	297,513	145,021	152,492	284,647	128,064	156,583
	\$ 635,800	\$ 346,077	\$ 289,723	\$ 620,975	\$ 319,344	\$ 301,631

**6. INCOME TAXES**

Future income tax assets and liabilities at December 31, 2007 and 2006 arise from the following:

	2007	2006
Future income tax assets (liabilities)		
Tax loss carry-forwards	\$ 1,395,429	\$ 960,695
Mineral properties	(23,499,871)	-
Investments	274,444	-
Fixed assets	(11,925)	(14,649)
Total future income tax assets (liabilities)	(21,841,923)	946,046
Valuation allowance	(1,657,948)	(946,046)
Net future income tax liabilities	\$ (23,499,871)	\$ -

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**6. INCOME TAXES (continued)**

The reconciliation of the provision for income taxes is:

	<b>2007</b>	<b>2006</b>
Loss before income taxes	\$ (1,702,289) \$	(2,561,748)
Combined statutory tax rates	34.12%	34.12%
Provision for income taxes based on combined statutory tax rates	(580,821)	(874,068)
Add		
Tax effect of losses not recognized	333,312	229,061
Lower effective tax rate in foreign jurisdictions	55,603	39,794
Impairment loss on asset backed commercial paper (note 3)	346,816	-
Other	616,111	979,043
Provision for income taxes	\$ 771,021 \$	373,830

The Company has unrecognized non-capital losses of approximately \$4,732,000 that may be used to offset future taxable income. If unused, these losses will expire as follows:

2009	250,000
2010	454,000
2014	923,000
2015	892,000
2026	788,000
2027	1,425,000
	<u>4,732,000</u>

**7. SHARE CAPITAL**

- (a) The Company's authorized capital consists of an unlimited number of common shares without par value, an unlimited number of Series 1, Class A restricted voting shares without par value, convertible (Note 11) and redeemable at \$0.01 per share and an unlimited number of preferred shares without par value.

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**7. SHARE CAPITAL (continued)**

(b) Issued and outstanding:

	Number of shares	Amount
<b>Common Shares</b>		
Balance, December 31, 2005	19,752,795	\$ 33,191,960
Shares issued for cash:		
Exercise of stock options	5,000	16,500
Shares issued for mineral properties	20,000	84,000
Stock-based compensation transferred from contributed surplus on exercise of stock options	-	8,398
Balance, December 31, 2006	19,777,795	33,300,858
Exercise of stock options	270,800	815,700
Shares issued for the acquisition of American Gold	9,020,602	53,221,552
Shares issued for mineral properties	25,000	105,000
Stock-based compensation transferred from contributed surplus on exercise of stock options		348,761
Balance, December 31, 2007	29,094,197	87,791,870
<b>Series 1 Class A Shares (note 11)</b>		
Balance, December 31, 2005 and 2006	-	-
Shares issued for the acquisition of American Gold	902,060	9,021
Balance, December 31, 2007	902,060	9,021
Share Capital, December 31, 2007		\$ 87,800,891

(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 common 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 on such terms as the Board may determine within the limitations of the option plan and subject to the rules of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 5,500,000 common shares. The exercise price for options granted may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option.

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

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### 7. SHARE CAPITAL (continued)

On October 11, 2007, shareholder approval was received at the Company's 2007 Annual General Meeting ("AGM") to amend the Company's Stock Option Plan pursuant to the following provisions:

- i. An amendment to increase the number of common shares reserved for issuance pursuant to option grants under the Option Plan by 2,302,000 common shares comprised of (a) 150,000 common shares already issued pursuant to the exercise of options granted under the Option Plan to be replenished and (b) an additional 2,152,000 common shares, so that the maximum aggregate number of common shares that would be available for issuance under the Option Plan for outstanding stock options and future stock options is 5,500,000 representing approximately 18.98% of the then current issued and outstanding common shares.
- ii. An amendment to increase the maximum term of stock options granted under the Option Plan from five years to ten years while the Company is a Tier 1 Issuer on the TSX Venture Exchange ("TSX").
- iii. Amendments to provide that, if required by the TSX, stock option grants may not result in the following limitations being exceeded without the Company obtaining disinterested shareholder approval:
  1. the issuance to any one optionee, within a 12-month period, of a number of common shares exceeding 5% of the issued and outstanding common shares;
  2. the number of common shares reserved for issuance under stock options granted to insiders exceeding 10% of the issued and outstanding common shares; and
  3. the grant to insiders, within a 12-month period, of options to purchase common shares exceeding 10% of the issued and outstanding common shares.

At the AGM, shareholder approval was also received for a Stock Bonus Plan ("Bonus Plan"). The Bonus Plan enables bonus common shares to be issued to any full-time or part-time employee or independent contractor (whether or not a director) of the Company or any of its subsidiaries who has rendered meritorious services that contributed to the success of the Company or any of its subsidiaries. Grants of bonus common shares will be on terms that the Compensation Committee of the Company may determine, within the limitations of the Bonus Plan and subject to the rules and policies of applicable regulatory authorities. The maximum number of common shares issuable under the Bonus Plan is limited to 200,000 common shares, representing approximately 0.69% of the current issued and outstanding common shares. In addition, in any calendar year, the number of bonus common shares issuable to insiders of the Company is limited to 0.5% of the total number of common shares which were issued and outstanding at the end of the preceding calendar year.

**CHESAPEAKE GOLD CORP.**  
Notes to the Consolidated Financial Statements  
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**7. SHARE CAPITAL (continued)**

Issuances of bonus common shares may also not result in the following limitations being exceeded without the Company obtaining disinterested shareholder approval:

- i. the issuance to any one person, within a 12-month period, of a number of common shares under the Bonus Plan and pursuant to stock options exceeding 5% of the issued and outstanding common shares;
- ii. the number of common shares issued under the Bonus Plan to insiders and reserved for issuance under stock options granted to insiders exceeding 10% of the issued and outstanding common shares; and
- iii. the grant to insiders, within a 12-month period, of common shares under the Bonus Plan and options to purchase common shares exceeding 10% of the issued and outstanding common shares.

The following stock options are outstanding at December 31, 2007:

Expiry date	Options Outstanding		Weighted Average Remaining Life	Options Exercisable	
	Number of shares	Exercise Price		Number of shares	Exercise Price
12-Dec-08	892,500	\$ 3.30	0.95	892,500	\$ 3.30
	892,500	\$ 3.30	0.95	892,500	\$ 3.30

No new stock options were granted in 2007 or 2006. Subsequent to December 31, 2007, 85,000 employee stock options were exercised for net proceeds of \$280,500. The Company has also granted 150,000 employee stock options subsequent to December 31, 2007 to a principal consultant of the Company at an exercise price of \$6.20 per share.

- (d) The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

Risk-free interest rate (%)	4.27%
Expected dividend yield	0.00%
Expected stock price volatility	42%
Expected life of options (years)	5

**CHESAPEAKE GOLD CORP.**  
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**7. SHARE CAPITAL (continued)**

- (e) The Company issued 4,510,301 warrants for the acquisition of American Gold (Note 1) during the year, which are outstanding at the date of these financial statements:

<b>Issue Date</b>	<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>
February 23, 2007	4,510,301	8.00	February 23, 2012

- (f) There are 375,000 common shares in escrow as at December 31, 2007, which are subject to release upon approval of regulatory authorities.

**8. RELATED PARTY TRANSACTIONS**

The Company incurred the following expenses with companies related by way of officers in common and with a company with whom a director is associated. These costs were measured at the amounts agreed upon by the parties.

	<b>2007</b>	<b>2006</b>
Consulting	\$ 36,946	\$ 10,081
Legal	143,748	267,701
Management fees	175,000	175,000
Rental	24,000	24,000
Travel and promotion	37,663	-

The legal fees were paid to a legal firm of which one of the partners has been an officer of the Company during 2007 and 2006. As at December 31, 2007 and 2006, accounts payable included \$227,199 and \$260,549, respectively, which are due to these related parties. These amounts are unsecured and non-interest bearing.

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**9. ENVIRONMENTAL**

The Company's exploration activities in Mexico, Nicaragua, and the United States are subject to those countries' environmental laws and regulations governing the protection of the environment. Currently, no environmental bond on an exploration property is required. Legislative changes or future changes to applicable mining codes, rules, and regulations may result in obligations for reclamation and site restoration in excess of amounts currently accrued. The Company may be required to accrue additional amounts in the future and while not currently determinable, they may be material to the Company.

The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has to date not been required to provide bonding to the regulatory authorities in Mexico with respect to possible future reclamation activities on its Mexican properties. The Company has accrued \$58,000 for the estimated liability of undertaking all known and required future reclamation and site restoration costs on its current Mexican properties. Such estimated amounts may vary from the actual future amounts to be incurred.

**10. SEGMENT DISCLOSURES**

The Company operates in one industry segment (note 1). Details of the investment in mineral properties are disclosed in the consolidated Statements of Mineral Properties and in Note 4. The Company's assets by geographic segment are:

	<b>Canada</b>	<b>Mexico</b>	<b>Nicaragua</b>	<b>USA</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,410,372	\$ 6,451	\$ 11,512	\$ 12,658,841	\$ 14,087,176
Marketable securities	8,082,890	-	-	-	8,082,890
Accounts receivable	50,307	140,397	-	96,962	287,667
Prepaid expenses	2,713	236,610	-	13,439	252,762
Asset Backed Commercial Paper	8,193,181	-	-	-	8,193,181
Portfolio investments	642,250	-	-	-	642,250
Investment in mineral properties	-	29,359,019	466,929	52,281,576	82,107,524
Fixed assets	148,055	141,668	-	-	289,723
<b>December 31, 2007</b>	<b>\$ 18,529,770</b>	<b>\$ 29,884,145</b>	<b>\$ 478,441</b>	<b>\$ 65,050,818</b>	<b>\$ 113,943,173</b>

	<b>Canada</b>	<b>Mexico</b>	<b>Nicaragua</b>	<b>USA</b>	<b>Total</b>
Cash and cash equivalents	\$ 13,879,458	\$ -	\$ -	\$ -	\$ 13,879,458
Marketable securities	9,048,339	-	-	-	9,048,339
Accounts receivable	77,971	-	-	-	77,971
Prepaid expenses	-	269,018	-	-	269,018
Portfolio investments	984,000	-	-	-	984,000
Investment in mineral properties	-	6,136,213	129,456	-	6,265,669
Fixed assets	140,680	160,951	-	-	301,631
<b>December 31, 2006</b>	<b>\$ 24,130,448</b>	<b>\$ 6,566,182</b>	<b>\$ 129,456</b>	<b>\$ -</b>	<b>\$ 30,826,086</b>

# **CHESAPEAKE GOLD CORP.**

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### **11. SUBSEQUENT EVENT**

Pursuant to the business combination with American Gold (Note 1), the terms of the Series 1, Class A shares provided that the shares would be automatically converted, for no additional consideration, into 10 common shares five business days after the date on which 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 of gold. On February 13, 2008, this automatic conversion threshold was met, and the Company converted 902,060 Series 1 Class A shares into 9,020,600 common shares of the Company.