



## **CONSOLIDATED FINANCIAL STATEMENTS**

For The Three Month Ended March 31, 2009

(Unaudited – Prepared by Management)

**Notice to Reader**

The accompanying financial statements of Chesapeake Gold Corp., comprised of the Consolidated Balance Sheets as at March 31, 2009 and December 31, 2008, and the Interim Consolidated Statements of Loss and Other Comprehensive Loss, Consolidated Statements of Cash Flows and Consolidated Statements of Shareholders' Equity for the three month periods ended March 31, 2009 and 2008 are the responsibility of the Company's management. The independent external auditors of the Company have not reviewed these financial statements.

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian Dollars)  
(Unaudited -Prepared by Management)

	<b>March 31, 2009</b>	December 31, 2008
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,693,817	\$ 15,148,355
Marketable securities (notes 5)	4,051,182	4,708,662
Accounts receivable	473,722	583,429
Accrued interest receivable	136,877	234,109
Prepaid expenses	314,877	241,310
	<b>20,670,475</b>	<b>20,915,865</b>
<b>Accrued Interest Receivable</b>	<b>15,846</b>	<b>27,685</b>
<b>Asset Backed Commercial Paper (note 5)</b>	<b>7,043,015</b>	<b>7,043,015</b>
<b>Portfolio Investments (note 5)</b>	<b>211,895</b>	<b>185,773</b>
	<b>7,270,756</b>	<b>7,256,473</b>
<b>Investment in Mineral Properties (note 6)</b>	<b>64,699,129</b>	<b>63,706,333</b>
<b>Reclamation Bond</b>	<b>172,705</b>	<b>172,705</b>
<b>Fixed Assets (note 7)</b>	<b>227,907</b>	<b>232,160</b>
	<b>65,099,741</b>	<b>64,111,198</b>
<b>TOTAL ASSETS</b>	<b>\$ 93,040,972</b>	<b>\$ 92,283,536</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 996,247	\$ 1,071,779
Margin balance payable (note 11)	9,241,182	7,802,726
Income taxes payable	3,533,992	3,527,972
	<b>13,771,421</b>	<b>12,402,477</b>
<b>Future Income Tax Liabilities</b>	<b>14,857,444</b>	<b>14,857,444</b>
<b>Reclamation Obligations (note 10)</b>	<b>230,705</b>	<b>230,705</b>
	<b>28,859,570</b>	<b>27,490,626</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (note 8)</b>	<b>88,721,584</b>	<b>88,721,584</b>
<b>Contributed Surplus</b>	<b>9,831,673</b>	<b>9,589,498</b>
<b>Accumulated Other Comprehensive Loss</b>	<b>(3,144,409)</b>	<b>(3,209,294)</b>
<b>Deficit</b>	<b>(31,227,446)</b>	<b>(30,308,878)</b>
	<b>64,181,402</b>	<b>64,792,910</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 93,040,972</b>	<b>\$ 92,283,536</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 COMPREHENSIVE LOSS**

For the Three Month Ended March 31, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited -Prepared by Management)

	Three months ended	
	March 31	
	2009	2008
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Amortization	\$ 11,883	\$ 19,520
Bank charges and interest	65,935	40,694
Geological consulting fees	18,262	15,768
Filing and transfer agent fees	26,246	39,268
Management fees (note 9)	43,750	43,750
Office and administration	224,710	286,523
Professional fees	53,921	81,869
Stock-based compensation (note 8)	242,175	-
Travel and investor communications	22,635	34,112
<b>OPERATING LOSS</b>	<b>709,517</b>	<b>561,504</b>
<b>OTHER INCOME/(EXPENSES)</b>		
Interest and other income	234,111	355,180
Foreign exchange (loss) gain	(323,002)	79,617
Temporary impairment of marketable securities	(114,140)	-
	(203,031)	434,797
<b>LOSS BEFORE INCOME TAXES</b>	<b>(912,548)</b>	<b>(126,707)</b>
Provision for current income taxes (note 8)	(6,021)	-
<b>NET LOSS</b>	<b>(918,568)</b>	<b>(126,707)</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Unrealized gain on available for sale investments	64,886	163,434
<b>COMPREHENSIVE LOSS</b>	<b>\$ (853,682)</b>	<b>\$ 36,727</b>
<b>LOSS PER SHARE</b>		
Basic and diluted	\$ (0.02)	\$ (0.00)
<b>Weighted Average Number of Shares Outstanding</b>		
Basic and diluted	38,309,797	32,507,059

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Three Month Ended March 31, 2009 and 2008**  
**(Expressed in Canadian Dollars)**  
**(Unaudited -Prepared by Management)**

	Year Ended	
	Three months ended March 31	
	2009	2008
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (918,568)	\$ (126,707)
Items not affecting cash:		
Amortization	11,883	19,520
Stock-based compensation	242,175	-
Temporary impairment of marketable securities	114,140	-
Changes in other non-cash items:		
Accounts receivable	109,707	356,249
Accrued interest receivable	97,232	-
Prepaid expenses	(73,567)	(68,341)
Accounts payable and accrued liabilities	(75,532)	176,971
Income taxes payable	6,020	13,974
	<b>(486,510)</b>	<b>371,666</b>
<b>Investing activities</b>		
Marketable securities sold (purchased)	593,943	(246,224)
Mineral property expenditures	(992,796)	(1,398,769)
Fixed assets purchased	(7,630)	20,343
	<b>(406,484)</b>	<b>(1,624,650)</b>
<b>Financing activities</b>		
Cash received on issue of shares	-	280,500
Margin balance payable	1,438,456	-
	<b>1,438,456</b>	<b>280,500</b>
<b>CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	<b>545,462</b>	<b>(972,484)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b>15,148,355</b>	<b>14,087,176</b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	<b>\$ 15,693,817</b>	<b>\$ 13,114,692</b>

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Three Month Ended March 31, 2009 and 2008**  
**(Expressed in Canadian Dollars)**

	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Deficit</b>	<b>Shareholders' Equity Total</b>
Balance, December 31, 2007	\$ 87,800,891	\$ 9,866,690	\$ (1,668,397)	\$ (9,407,562)	\$ 86,591,622
Net loss	-	-	-	(20,901,316)	(20,901,316)
Unrealized loss on investments in current year	-	-	(1,540,897)	-	(1,540,897)
Shares issued for cash on exercise of stock options	643,501	-	-	-	643,501
Transfer from contributed surplus on exercise of options	277,192	(277,192)	-	-	-
<b>Balance, December 31, 2008</b>	<b>\$ 88,721,584</b>	<b>\$ 9,589,498</b>	<b>\$ (3,209,294)</b>	<b>\$ (30,308,878)</b>	<b>\$ 64,792,910</b>
Balance, December 31, 2008	\$ 88,721,584	\$ 9,589,498	\$ (3,209,294)	\$ (30,308,878)	\$ 64,792,910
Net loss	-	-	-	(918,568)	(918,568)
Unrealized gain on investments in current year	-	-	64,886	-	64,886
Stock-based compensation charged to operations	-	242,175.00	-	-	242,175
Transfer from contributed surplus on exercise of options	-	-	-	-	-
<b>Balance, March 31, 2009</b>	<b>\$ 88,721,584</b>	<b>\$ 9,831,673</b>	<b>\$ (3,144,409)</b>	<b>\$ (31,227,446)</b>	<b>\$ 64,181,402</b>

See Accompanying Notes to the Consolidated Financial Statements

**CHESAPEAKE GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES**  
**For the Three Month Ended March 31, 2009 and 2008**  
**(Expressed in Canadian Dollars)**

	American Gold		Minerales El Prado S.A. de C.V				Tatatila	Regional	Nica Gold S.A.
	Talapoosa	Metates	La Gitana	La Calavera	La Cecilia	El Tecamate			Nicaragua
<b>Acquisition costs</b>									
Balance, December 31, 2007	52,152,368	20,263,848	184,268	233,700	81,914	95,963	23,758	404,543	466,929 \$
Additions	288,307	51,199	2,630	17,256	38,372	28,632	93,190	219,054	(269,824)
Option proceeds	-	-	-	(125,000)	-	-	-	-	-
Impairment of properties	(21,006,426)	-	-	(125,956)	-	(2,134)	-	(392,843)	(197,105)
	31,434,249	20,315,047	186,898	-	120,286	122,461	116,948	230,754	-
<b>Deferred exploration costs</b>									
Balance, December 31, 2007	129,208	1,772,920	3,925,733	234,882	28,693	545,869	160,965	1,401,963	-
Assays	-	377,735	2,437	-	5,244	-	51,492	39,649	-
Camp and supplies	-	625,723	5,130	4,014	1,121	1,235	45,146	8,207	-
Drilling	-	1,745,299	-	-	-	-	-	-	-
Geological and engineering	222,035	2,597,958	17,157	-	16,957	32	224,489	20,967	-
Travel and accommodation	10,417	233,163	1,617	8,636	1,701	1,236	93,457	18,697	-
Impairment of properties	-	-	(1,138,970)	(247,531)	-	(548,372)	(386,505)	(1,080,116)	-
	361,660	7,352,798	2,813,104	1	53,716	-	189,044	409,367	-
<b>Balance, December 31, 2008</b>	\$ 31,795,909	\$ 27,667,845	\$ 3,000,002	\$ 1	\$ 174,002	\$ 122,461	\$ 305,992	\$ 640,121	\$ -
<b>Acquisition costs</b>									
Balance, December 31, 2008	\$ 31,434,249	\$ 20,315,047	\$ 186,898	\$ -	\$ 120,286	\$ 122,461	\$ 116,948	\$ 230,754	\$ -
Additions	157,663	23,874	2,770	135	1,106	170	15,646	16,671	-
Option proceeds	-	-	-	-	-	-	-	-	-
Impairment of properties	-	-	-	-	-	-	-	-	-
	31,591,912	20,338,921	189,668	135	121,392	122,631	132,594	247,425	-
<b>Deferred exploration costs</b>									
Balance, December 31, 2008	361,660	7,352,798	2,813,104	1	53,716	-	189,044	409,367	-
Assays	-	119,591	-	-	-	-	-	258	-
Camp and supplies	-	75,006	396	12,397	-	-	794	1,967	-
Drilling	-	-	-	-	-	-	-	-	-
Geological and engineering	36,829	397,271	1,472	-	-	-	9,103	80,010	-
Travel and accommodation	-	24,369	126	1,399	-	-	6,606	7,168	-
Impairment of properties	-	-	-	-	-	-	-	-	-
	398,489	7,969,034	2,815,098	13,797	53,716	-	205,547	498,771	-
<b>Balance, March 31, 2009</b>	\$ 31,990,401	\$ 28,307,955	\$ 3,004,766	\$ 13,932	\$ 175,108	\$ 122,631	\$ 338,141	\$ 746,196	\$ -

See Accompanying Notes to the Consolidated Financial Statements

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

March 31, 2009

(Unaudited – Prepared by Management)

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### 1. OPERATIONS

Chesapeake Gold Corp. (“Chesapeake” or the “Company”) is a Canadian mining company focused on the exploration, development and recovery of precious metals. The Company is in the exploration stage and does not generate mining revenues from operations. The Company’s operations during the first quarter ended March 31, 2009 were principally directed towards the exploration and development of the Company’s Metates project in Durango State.

In late 2008, the Company ceased its operations in Nicaragua and is in the final stages of winding down its Nicaraguan subsidiary, Nica Gold S.A. (Note 2).

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 Company had net loss of \$918,568 for the quarter ended March 31, 2009 and working capital of \$6,899,054 at March 31, 2009. The ability of the Company to continue as a going concern is dependent upon obtaining additional equity and/or debt financing to complete the exploration and development of its mineral property interests and to commence profitable operations. Despite the general economic slow-down and changes to key economic variables, the Company currently has sufficient resources to fund its operations for at least the next two years. 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 continuing corporation.
- 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 issued by the Company 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. exchanging each outstanding American Gold warrant for 0.29 of a Chesapeake warrant. The warrants were assigned 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

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

March 31, 2009

(Unaudited – Prepared by Management)

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### 1. OPERATIONS (continued)

d. the fair values of the net assets acquired were:		
Cash	\$	13,040,000
Mineral properties and other assets		72,365,690
Current liabilities		(562,301)
Future income tax liability		(23,043,245)
	\$	<u>61,800,144</u>

### 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles (“GAAP”) in Canada and follow the same accounting principles and method of computation as the most recent annual audited consolidated financial statements except as noted below. These interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements and the accompanying notes for the year ended December 31, 2008.

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”), Cascade Metals Inc., and American Gold Capital Corporation and its wholly-owned subsidiaries, American Gold Capital US Inc. and American Gold Metates S. de R.L. de C.V. (“American Gold”), individually and collectively referred to as the “Company”. After the end of the year, the Company began the process of winding down Nica Gold. All significant inter-company transactions and balances have been eliminated upon consolidation.

#### New accounting pronouncements

On January 1, 2008, the Company adopted four new accounting standards described in Section 1400 *General Standards of Financial Statement Presentation*, Section 1535 *Capital Disclosures*, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. The requirements of these new standards are:

#### *Going Concern*

Section 1400 was amended to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The adoption of this standard did not have a material effect on the consolidated financial statements, as the Company already includes disclosure of its ability to continue as a going concern in Note 1 to the consolidated financial statements.

#### *Capital Disclosures*

Section 1535 requires the disclosure of an entity’s objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

March 31, 2009

(Unaudited – Prepared by Management)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

complied with any external capital requirements and, if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management has been included in Note 3 to the consolidated financial statements.

#### *Financial Instruments - Disclosures and Financial Instruments – Presentation*

Sections 3862 and 3863 replace Handbook Section 3861 Financial Instruments - Disclosure and Presentation, revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 requires disclosure which enable users to evaluate the significance of financial instruments on the entity's financial position and performance, the nature and extent of and exposure to risks arising from financial instruments and how the entity manages those risks.

As a result of the adoption of this standard, additional disclosure on these risks has been included in Note 4 to the consolidated financial statements.

Section 3863 establishes standards for the presentation and classification of financial instruments and non-financial derivatives. The adoption of this standard did not have any impact on the classification or presentation of the Company's consolidated financial instruments.

#### **Future Accounting Changes**

##### *Convergence with International Financial Reporting Standards*

The Accounting Standards Board of the CICA ratified a strategic plan in 2006 that will result in Canadian GAAP, as used by the Company, evolving and being converged with International Financial Reporting Standards ("IFRS") over a transitional period to be completed by 2011. The International Accounting Standards Board also has projects currently under way that should result in new pronouncements which will be included in the convergence process. The Company is conducting a detailed assessment of the requirements of IFRS, with the intention of identifying differences, if any, in accounting policies, selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and developing an implementation plan to complete the transition to IFRS by January 1, 2011.

##### *Goodwill and Intangible Assets*

In February 2008, the CICA issued Handbook Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets, and Section 3450 Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective in the first quarter of 2009.

# **CHESAPEAKE GOLD CORP.**

## **Notes to the Consolidated Financial Statements**

March 31, 2009

(Unaudited – Prepared by Management)

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### **3. CAPITAL DISCLOSURES**

The adoption of this section is not expected to impact the Company.

The Company's objectives when managing capital, which have not changed from the prior year, are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company defines its capital as its shareholders' equity. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company manages and adjusts its capital structure when changes to the risk characteristics of its assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company will, if possible, issue new debt or shares, and/or dispose of or joint venture certain of its assets. In doing so, the Company also considers the restrictions on its capital imposed by the lender of the margin balance payable (Note 11), with which it has complied with during the year.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. These annual budgets and any material revisions thereto are approved by the Board of Directors.

The Company may have to raise additional capital in the long term in order to fund the costs of exploration and development of its mineral properties and its administrative overhead expenses. The funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required, but recognizes that there will be risks involved that may be beyond its control.

### **4. MANAGEMENT OF FINANCIAL RISKS**

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, other market risk and liquidity risk.

#### ***Currency Risk***

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in the United States and Mexico. Certain costs and expenses are incurred in US dollars and Mexican pesos. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable. Assuming all other variables remain constant, a 1% change in the Canadian dollar against each of the US dollar and Mexican peso would result in a change of \$72,100 to the Company's operations.

#### ***Credit risk***

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents,

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

March 31, 2009

(Unaudited – Prepared by Management)

### 4. MANAGEMENT OF FINANCIAL RISKS (continued)

marketable securities and the ABCP. The Company's cash and cash equivalents are held through large Canadian financial institutions. An analysis of the creditworthiness of the

Company's rateable fixed income securities, included in cash equivalents and marketable securities, at March 31, 2009 are:

Credit Rating	Percentage of portfolio
AAA	17.1%
A	59.6%
BBB	13.1%
BB	5.6%
CCC	4.7%
	100.0%

These credit ratings were obtained from national rating services. Where more than one rating exists for a fixed income security, the lower rating has been used. The Company's ABCP (Note 5) is not rated.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed income cash equivalents and investments, including ABCP, of varying maturities. A 1% change in market interest rates would result in an approximate \$80,000 change in value of fixed income cash equivalents and investments, other than ABCP (Note 5). The risk that the Company will realize a loss as a result of a decline in the fair value of these assets, other than ABCP, is limited as they are generally held to maturity.

#### *Other Market risk*

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action. Some of these investments are thinly traded which may result in lower quoted market values.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 3. The margin balance payable, accounts payable and accrued liabilities and income taxes payable are due within the current operating period.

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

March 31, 2009

(Unaudited – Prepared by Management)

### 5. INVESTMENTS

	March 31, 2009		December 31, 2008	
	Cost *	Fair value	Cost *	Fair value
<b>Marketable securities</b>				
Fixed income securities, equities and equity funds	\$ 6,680,202	\$ 4,051,182	\$ 7,180,202	\$ 4,708,662
<b>Asset backed commercial paper</b>	\$ 7,043,015	\$ 7,043,015	\$ 7,043,015	\$ 7,043,015
<b>Portfolio investments</b>				
Pinnacle Mines Ltd.	\$ 250,000	\$ 25,000	\$ 250,000	\$ 30,000
West Timmins Mining Inc.		125,895	-	117,773
Christopher James Gold Corp.	226,000	16,000	226,000	8,000
VRB Power System Inc.	110,000	-	110,000	-
New World Resources Corp.	275,000	45,000	275,000	30,000
	\$ 861,000	\$ 211,895	\$ 861,000	\$ 185,773

\* After an impairment provision

#### *Asset Backed Commercial Paper*

On July 26, 2007 the Company invested \$9,209,641 in third party sponsored ABCP, which had a principal amount of \$9,250,000 and was rated as "R1-High" by Dominion Bond Rating Service at the time of purchase. At that time 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 whom the Company had invested, announced that they could not repay the ABCP due to unfavorable conditions in the Canadian capital markets.

In September 2007, a Pan-Canadian Committee (the "Committee") consisting of a panel of major ABCP investors was formed to restructure the affected ABCP trusts. A press release issued by the Committee on December 23, 2007 outlined a proposal to restructure ABCP for new notes that have maturities based on the maturities of the assets of underlying ABCP (the "New Notes").

Based on the information obtained from the proposed restructuring plan, the Company, in 2007, reclassified its investment in ABCP on the balance sheet from a current asset to a long term asset as the New Notes were expected to have a maturity greater than one year. At December 31, 2007 the Company estimated the then current fair value of its ABCP, using the discounted cash flow method based on the proposed restructuring, using a discount rate of 5.5% and a coupon rate of 4.0%, to be \$8,193,181 and recorded an impairment loss of \$1,016,460 in operations.

On March 20, 2008, the Committee issued an information statement which provided details of the proposed restructuring plan. The proposed restructuring plan was submitted under the Companies Creditors Arrangement Act and approved by the majority of noteholders on April 25, 2008 (the "Restructuring Plan"). The Restructuring Plan was sanctioned by the Ontario Superior Court on June 5, 2008. Subsequent to the approval, the Ontario Court of Appeal reviewed a filing by a group of investors seeking relief, including dismissal of the Restructuring Plan. On September 19, 2008 the Supreme Court of Canada denied the noteholders seeking relief thereby allowing the implementation of the Restructuring Plan to be completed.

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### Notes to the Consolidated Financial Statements

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#### 5. INVESTMENTS (continued)

The Company was issued the following New Notes on January 21, 2009 in exchange for its ABCP under the Restructuring Plan:

New Notes	Face Value	Maturity Date	Coupon Rate
MAV II Class A-1	\$ 6,141,524	January 22, 2017	Banker's Acceptance rate less 0.5%
MAV II Class A-2	2,362,897	January 22, 2017	Banker's Acceptance rate less 0.5%
MAV II Class B	428,931	January 22, 2017	Banker's Acceptance rate less 0.5%
MAV II Class C	<u>276,289</u>	January 22, 2017	20%
	<u>\$ 9,209,641</u>		

The New Notes have been classified as a held to maturity investment by the Company. There is no active market for the New Notes and formal ratings have yet to be issued by national rating services. The Company revised the estimated current fair value of its ABCP as at December 31, 2008 and March 31, 2009 according to the updated market estimate using the discounted cash flow method based on the terms of the New Notes received under the Restructuring Plan and using a discount rate of 5.3% and a coupon rate of 1.4% less 0.5%. The resulting estimated fair value of the Company's ABCP was \$7,043,015 as at March 31, 2009.

The Company's estimate of the fair value of the ABCP as at March 31, 2009 has been calculated without the benefit of full knowledge of the underlying assets of the New Notes, as this information has not been provided to the Company. The estimate is also based on prevailing market conditions, which are volatile and are highly likely to change in subsequent periods. Possible changes that could have a material effect on the current carrying value of the ABCP include changes in the fair value of the underlying assets, developments related to the liquidity of the New Notes and future changes in prevailing interest rates. For example, under prevailing market conditions a 1% change in the Banker's Acceptance rate would result in an approximate \$532,000 change in the estimated fair value of the Company's ABCP.

#### 6. MINERAL PROPERTIES

The Company's interests in mineral properties at March 31, 2009 were:

- (a) 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 for these claims payable to the Bureau of Land Management are approximately US\$60,000. A 5% NSR and 4.5% NSR exists on 124 and 26 unpatented claims, respectively.

## CHESAPEAKE GOLD CORP.

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#### 6. MINERAL PROPERTIES (continued)

##### (b) 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. (“Lusimin”), a subsidiary of Goldcorp Inc., in respect of these concessions. MEP has acquired an additional concession comprising of 2,772 hectares from the Consejo de Recursos Minerales de Mexico (“CRM”) at a cost of US\$19,800 and staked five other concessions totaling 25,303 hectares.

In October 2008, the Company signed a five year agreement with the Community of San Juan de Camarones (“SJC”) which permits the Company to undertake exploration and development work at Metates. The Company has agreed to annual payments to SJC as follows:

2008	US\$53,580	(paid)
2009	US\$64,296	
2010	US\$77,155	
2011	US\$92,586	
2012	US\$111,104	

In addition the Company has agreed to upgrade and improve the forty-five kilometers of off-highway road access to Metates and contribute to community improvements in the amount of US\$875,000 over the term of the agreement. As at March 31, 2009 the Company had spent US\$354,000 towards this commitment.

##### (c) 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 by spending US\$2.0 million in exploration expenditures. MEP has staked five other concessions totaling 13,885 hectares along a northwest trend extending from the La Gitana Property.

##### (d) Rio Minas Property, Oaxaca State, Mexico

The Rio Minas Property comprises one mineral concession that was acquired through staking by MEP totaling 7,425 hectares.

##### (e) La Cecilia Property, Sonora State, Mexico

MEP acquired a 100% interest in the La Cecilia gold project by making staged payments totaling US\$100,000 to the CRM. The project consists of three mineral concessions totaling 794 hectares. The CRM retains a 1% net smelter royalty.

##### (f) El Tecomate Project, Durango State, Mexico

MEP acquired through staking two mineral concessions totaling 1195 hectares in Durango State.

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## Notes to the Consolidated Financial Statements

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### 6. MINERAL PROPERTIES (continued)

(g) Tatatila Project, Veracruz State, Mexico

MEP has acquired through purchase and staking the Tatatila project which collectively encompasses 28,290 hectares in Veracruz State. MEP optioned seven concessions of a National Mineral Reserve totaling 2,767 hectares from the CRM, a mining division of the Mexican government. MEP has agreed to payments totaling US\$56,000 to the CRM over three years to 2010. MEP staked one adjacent mineral concession comprising 25,523 hectares.

(i) Nicaragua

In late 2008 the Company has abandoned its interests in Nicaragua and is in the process of winding down its Nicaragua operations (Note 1).

### 7. FIXED ASSETS

	March 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office, furniture and equipment	\$ 42,421	\$ 29,825	\$ 12,596	\$ 42,421	\$ 29,429	\$ 12,992
Computer equipment	42,369	36,142	6,227	42,369	41,881	487
Vehicles	268,363	190,245	78,119	268,363	184,333	84,030
Exploration equipment	297,988	167,023	130,965	297,988	163,337	134,651
	\$ 651,140	\$ 423,233	\$ 227,907	\$ 651,140	\$ 418,980	\$ 232,160

### 8. SHARE CAPITAL

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

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**8. SHARE CAPITAL (continued)**

(b) Issued and outstanding:

	Number of shares	Amount
<b>Common Shares</b>		
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	53,221,551
Shares issued for mineral properties	25,000	105,000
Stock-based compensation transferred from contributed surplus on exercise of options	-	348,761
Balance, December 31, 2007	29,094,197	87,791,870
Exercise of stock options	195,000	643,500
Conversion of Series 1 Class A Shares	9,020,600	9,021
Stock-based compensation transferred from contributed surplus on exercise of options	-	277,193
Balance, December 31, 2008	38,309,797	88,721,584
Balance, March 31, 2009	38,309,797	88,721,584
<b>Series 1 Class A Shares</b>		
Balance, December 31, 2006	-	-
Shares issued for the acquisition of American Gold	902,060	9,021
Balance, December 31, 2007	902,060	9,021
Conversion to common shares	(902,060)	(9,021)
Balance, December 31, 2008	-	-
Balance, March 31, 2009	-	-
Share Capital, March 31, 2009		\$ 88,721,584

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. This automatic conversion threshold was met on February 13, 2008 and the Company converted the 902,060 Series 1 Class A shares into 9,020,600 common shares of the Company.

# CHESAPEAKE GOLD CORP.

## Notes to the Consolidated Financial Statements

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### 8. SHARE CAPITAL (continued)

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

The Company also has a Stock Bonus Plan (“Bonus Plan”). The Bonus Plan enables bonus common shares to be issued to any full-time or part-time employee or independent contractor (whether or not a director) of the Company or any of its subsidiaries who has rendered services that contributed to the success of the Company or any of its subsidiaries. Grants of bonus common shares will be on terms that the Compensation Committee of the Board may determine, within the limitations of the Bonus Plan and subject to the rules and policies of applicable regulatory authorities. The maximum number of common shares issuable under the Bonus Plan is limited to 200,000 common shares, representing approximately 0.52% of the current issued and outstanding common shares. In addition, in any calendar year, the number of bonus common shares issuable to insiders of the Company, also taking options into account, is limited to 0.5% of the total number of common shares which were issued and outstanding at the end of the preceding calendar year, 10% of the issued and outstanding common shares, and no more than 5% of the issued and outstanding shares to any one person in a 12-month period.

On February 11, 2009, 2,330,000 options to purchase common shares of the Company were granted to directors, officers, employees and consultants at an exercise price of \$3.30 per share for a term of five years, expiring on February 11, 2014. These options will vest at a rate of 25% on each anniversary of the date of grant, commencing on February 11, 2010.

The following is the summary of the changes in the Company’s outstanding options during the year ended March 31, 2009:

	March 31, 2009		December 31, 2008	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance, beginning of year	-	\$ -	892,500	\$ 3.30
Granted	2,330,000	3.30	150,000	6.20
Expired/Cancelled	-	-	(847,500)	3.81
Exercised	-	-	(195,000)	3.30
Balance outstanding and exercisable at end of period	2,330,000	\$ 3.30	-	\$ -

## CHESAPEAKE GOLD CORP.

### Notes to the Consolidated Financial Statements

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#### 8. SHARE CAPITAL (continued)

For the period ending March 31, 2009, total share-based compensation expense charged to operations was \$242,175 (2008 - \$Nil).

- (d) The weighted average grant-date fair value of share purchase options granted during the period ending March 31, 2009 was \$3.30. The fair value of each option granted in 2009 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:

	2009	2008
Risk-free interest rate (%)	1.60%	1.90%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	60%	50%
Expected life of options (years)	5	5

- (e) The Company issued 4,510,301 warrants during the year ended December 31, 2007 on the acquisition of American Gold (Note 1), which are outstanding at the date of these financial statements:

Issue Date	Number of Warrants	Exercise Price Per Share	Expiry Date
February 23, 2007	4,510,301	8.00	February 23, 2012

- (f) Of the issued and outstanding shares of the Company, 375,000 common shares were held in escrow as at March 31, 2009, to be released upon approval of regulatory authorities.

#### 9. 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 exchange amounts agreed upon by the parties.

	Three months ended March 31	
	2009	2008
Consulting	\$ 18,262	\$ 14,858
Legal	7,622	16,177
Management fees	43,750	43,750
Rental	6,000	6,000
Travel & promotion	14,525	5,535

The legal fees were paid to a legal firm of which one of the partners has been an officer of the Company during 2009 and 2008. Accounts payable at March 31, 2009 included \$433,752 (2008 - \$387,383) which is due to these related parties. These amounts are unsecured and non-interest bearing.

# **CHESAPEAKE GOLD CORP.**

## **Notes to the Consolidated Financial Statements**

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### **10. 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 in Mexico. 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 therefore 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 accrued \$235,312 at March 31, 2009 (2008 - \$230,705) for the estimated liability of undertaking all known and required future reclamation and site restoration costs on its current properties. Such estimated amounts may vary from the actual future amounts to be incurred.

### **11. MARGIN BALANCE PAYABLE**

The Company maintains a margin account with National Bank Financial Ltd. ("National Bank") which has a margin balance payable of \$9,241,182 at March 31, 2009 (2008 - \$7,802,726), and is payable on demand.

### **12. SEGMENT DISCLOSURES**

The Company operates in one industry segment (Note 1) in four countries. Details of the investment in mineral properties are disclosed in the Consolidated Statements of Mineral Properties and in Note 6. The Company's assets by country are:

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	<b>Canada</b>	<b>Mexico</b>	<b>Nicaragua</b>	<b>USA</b>	<b>Total</b>
Cash and cash equivalents	\$ 6,779,472	\$ 111,262	\$ 4,265	\$ 8,798,818	\$ 15,693,817
Marketable securities	4,051,182	-	-	-	4,051,182
Accounts receivable	180,067	293,655	-	-	473,722
Accrued interest	134,417	-	-	2,460	136,877
Prepaid expenses	39	294,374	-	20,464	314,877
Accrued interest - Long term	15,846	-	-	-	15,846
Asset Backed Commercial Paper	7,043,015	-	-	-	7,043,015
Portfolio investments	211,895	-	-	-	211,895
Investment in mineral properties	-	32,708,728	-	31,990,401	64,699,129
Reclamation Bond	-	-	-	172,705	172,705
Fixed assets	120,654	107,253	-	-	227,907
<b>March 31, 2009</b>	<b>\$ 18,536,587</b>	<b>33,515,272</b>	<b>\$ 4,265</b>	<b>\$ 40,984,848</b>	<b>\$ 93,040,972</b>

	<b>Canada</b>	<b>Mexico</b>	<b>Nicaragua</b>	<b>USA</b>	<b>Total</b>
Cash	\$ 11,978,669	\$ 46,062	\$ 5,900	\$ 313,312	\$ 12,343,943
Cash and cash equivalents on deposit	2,804,412	-	-	-	2,804,412
Marketable securities	4,708,662	-	-	-	4,708,662
Accounts receivable	185,410	398,019	-	-	583,429
Accrued interest	234,109	-	-	-	234,109
Prepaid expenses	-	222,966	-	18,344	241,310
Accrued interest - Long term	27,685	-	-	-	27,685
Asset Backed Commercial Paper	7,043,015	-	-	-	7,043,015
Portfolio investments	185,773	-	-	-	185,773
Investment in mineral properties	-	31,910,424	-	31,795,909	63,706,333
Reclamation Bond	-	-	-	172,705	172,705
Fixed assets	124,977	107,183	-	-	232,160
<b>December 31, 2008</b>	<b>\$ 27,292,712</b>	<b>32,684,654</b>	<b>\$ 5,900</b>	<b>\$ 32,300,270</b>	<b>\$ 92,283,536</b>

**13. COMMITMENTS**

The Company has leased office space in Denver, Colorado and Reno, Nevada to support the development of the Metates and Talapoosa properties (Note 6). The annual lease payments to the end of the leases are:

2009	US\$51,901
2010	US\$29,056
2011	US\$14,417