



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For The Year Ended December 31, 2009



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") of Chesapeake Gold Corp. ("Chesapeake" or the "Company") provides an analysis of the Company's results of operations for the year ended December 31, 2009 with comparisons to 2008. This MD&A should be read in conjunction with the accompanying audited consolidated financial statements and notes thereto for the year ended December 31, 2009. The Company's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

This MD&A was prepared as of May 4, 2010. All amounts included in the MD&A are in Canadian dollars unless otherwise specified. Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Nature of Business

Chesapeake Gold Corp. is a mineral exploration company focusing on the discovery and development of major gold-silver deposits in North America. At December 31, 2009, the Company had 38,309,797 common shares outstanding. Chesapeake trades on the TSX Venture Exchange under the symbol "CKG".

Chesapeake's primary asset is the Metates gold-silver project in Durango state, Mexico. A Preliminary Economic Assessment ("PEA") on Metates was recently completed by M3 Engineering and Technology of Tucson, Arizona. Chesapeake also has a portfolio of exploration properties in Mexico comprising 56,456 hectares in the states of Durango, Sinaloa, Oaxaca, Sonora and Veracruz. In Nevada, the Company has signed a letter of intent to sell its Talapoosa project to Christopher James Gold Corp. ("Christopher James") in exchange for a controlling interest in Christopher James.

## FINANCIAL RESULTS

### Selected Annual Information

The following table shows the financial results derived from the Company's financial statements for each of the three most recently completed financial years as at December 31.

	2009	2008	2007
Total Revenues	\$ 374,479	\$ 1,197,385	\$ 1,204,169
Net Profit (Loss)	\$(21,032,686)	\$ (20,467,351)	\$ (2,473,310)
Basic and diluted loss per share	\$ (0.55)	\$ (0.56)	\$ (0.09)
Total Assets	\$ 62,405,735	\$ 92,283,536	\$ 113,943,173
Total Long Term Liabilities	\$ 5,580,652	\$ 15,088,149	\$ 23,557,000
Mineral Properties	\$ 39,244,818	\$ 63,706,333	\$ 82,107,524

Chesapeake had a net loss of \$21,032,686 (\$0.55 per common share) for the year ended December 31, 2009. This compares with a net loss of \$20,467,351 (\$0.56 per common share) in the previous year. The scale and nature of the Company's administrative activity has remained relatively consistent throughout the three years presented above. This trend is expected to continue in 2010. Several factors led to the loss and comprehensive loss being lower in 2009 than in 2008.

- i) At the time of the merger with American Gold Capital Corporation (“American Gold”) in February 2007, the consideration which the Company allocated to the mineral properties acquired was \$52,152,368 to Talapoosa and \$20,213,322 to Metates. In conformity with GAAP, management is required to make current estimates and assumptions of the carrying value of its mineral properties. Based on the Company’s future estimates of undiscounted cash flows, long term metal prices, assumptions of capital and operating costs and performing market comparisons, an impairment provision of \$28,233,653 was recorded against the mineral properties during the year. Talapoosa realized the most significant assessment with a \$27,446,776 impairment charge.
- ii) In the context of the current market, the Company’s estimated current fair value of its Asset Backed Commercial Paper (“ABCP”) as at December 31, 2009 has been re-evaluated using the discounted cash flow method based on the terms of the New Notes received under the Restructuring Plan. The Company has recorded a \$791,436 impairment in operations resulting in an estimated fair value of the Company’s ABCP of \$6,236,237 as at December 31, 2009.
- iii) The Company incurred a foreign exchange gain of \$1,313,721 in 2009. The Company maintains its accounts in Canadian dollars and the appreciation of the Canadian dollar during 2009 resulted in a gain on the translation of its US dollar denominated margin balance payable.

Total operating expenses for the year ended December 31, 2009 of \$3,051,642 were higher compared to operating expenses of \$2,062,026 for the year ended December 31, 2008. Stock-based compensation costs of \$1,121,663 was the primary increase as this expense did not occur in 2008. Office and administration expenses of \$986,690 in 2009 increased in comparison to \$947,806 in 2008. Travel and investor communications of \$130,057 for the year were higher than the \$124,757 reported in 2008 as the Company augmented its marketing efforts. Bank charges and interest of \$252,925 were higher in 2009 compared to \$201,178 in 2008 due to the increased borrowing against the Company’s ABCP investment. Geological consulting fees of \$94,867 were higher in 2009 relative to \$61,531 in 2008 as a result of the increased technical work being undertaken on the Metates project.

The significant impairment charge against the mineral properties in 2009 resulted in total assets of \$62,405,735 in 2009 being considerably lower compared to total assets of \$92,283,536 in 2008.

### Summary of Quarterly Results

The following table of quarterly financial information of has been derived from the unaudited quarterly interim consolidated financial statements prepared by management. Chesapeake’s interim financial statements are prepared in accordance with Canadian generally accepted accounting principles.

### Results of Operations

	Q4		Q3		Q2		Q1	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	\$ 121,793	\$ 157,693	\$ 129,681	\$ 425,783	\$ 132,480	\$ 258,729	\$ 234,111	\$ 355,180
Net Profit (Loss)	19,164,247	\$(19,320,671)	\$(791,756)	\$(1,122,360)	158,115	\$(331,577)	\$(918,568)	\$(126,707)
Profit (Loss) per share								
Basic	\$ (0.50)	\$ (0.53)	\$ (0.02)	\$ (0.03)	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.00)
Diluted	(0.50)	(0.53)	(0.02)	(0.03)	0.00	(0.01)	(0.02)	(0.00)

Quarterly fluctuations are due to cash being spent to fund ongoing operations and to increase the value of the Company’s mineral properties. Variances in net income and loss by quarter in 2009 reflect overall corporate activity and factors which do not recur each quarter. The significant loss reported in the fourth quarter is largely due to the year end impairment charges.

## **Liquidity and Capital Resources**

The Company has no producing properties and consequently no current income or operating cash flows other than investment income and property payments. The Company's investment income is primarily from interest earned on short term cash investments, dividends, bonds and income trust distributions. The Company has no revenue from mining operations but receives periodic payments for properties which have been monetized. Interest rates fluctuate relative to the amount of funds held in deposit and prevailing interest rates during the year.

The Company's 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 a loss of \$21,032,686 for the year ended December 31, 2009 and working capital of \$6,719,761 at December 31, 2009.

The Company's financial instruments as of December 31, 2009 consisted of cash, cash and cash equivalents on deposit, accounts receivable, term deposits, guaranteed income certificates, ABCP investments and marketable securities. As at December 31, 2009, the Company's cash, cash and cash equivalents on deposit and marketable securities totaled \$15,423,996 compared to \$19,851,117 as at December 31, 2008. The Company's net working capital decreased to \$6,719,761 as at December 31, 2009 compared to \$9,402,933 as at December 31, 2008. Decreasing interest bearing balances and lower interest rates led to a decline in interest and other investment income of \$374,479 in 2009 as compared to \$1,197,385 in 2008.

Chesapeake continues to use working capital to fund operations and mineral property development which will further decrease its interest bearing balances. The Company also maintains a margin account with National Bank Financial Ltd. which has a margin balance, payable on demand, of \$5,000,216 at December 31, 2009. The margin balance payable accrues interest on a monthly basis at the U.S. prime rate, which was 3.25% at December 31, 2009.

Portfolio investments as at December 31, 2009 comprise 650,000 common shares of VRB Power Systems Incorporated, 500,000 common shares of New World Resources Corp., 400,000 common shares of Christopher James Gold Corp, 500,000 common shares of Pinnacle Mines Ltd. and 203,056 common shares of West Timmins Mining Inc. These shares are recorded at a fair market value of \$810,199 at December 31, 2009.

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's ability to continue as a going concern is substantially dependent on its ability to raise funds necessary to acquire assets, perform exploration and development activities, and conduct its corporate affairs primarily through the issuance of its common shares. Based on its current estimates, management expects the Company will have sufficient working capital to fund its administrative expenses and its mineral property costs in 2010.

## **Investing Activities**

During 2009 the Company spent \$3,772,138 on exploration and development costs compared to \$6,442,268 in 2008. The majority of these expenses were spent on the engineering and metallurgical studies being advanced for the PEA on the Metates project. In Nevada, \$368,368 was invested in the Talapoosa project during 2009. The Company purchased fixed assets totaling \$21,088 during the year.

Expenditures under consideration in 2010 include the preparation of a prefeasibility study for the Metates project which is estimated to cost \$3 million. The Company will also continue exploration work on other projects and spending will vary dependent on success of the exploration programs.

## **Financing**

On February 12, 2009 the Company granted 2,330,000 stock options to directors, officers, employees and consultants at an exercise price of \$3.30 per share. The Company did not undertake an equity financing nor received funds from the exercise of stock options during 2009.

## **Contractual Obligations**

The Company has leased office space in Denver, Colorado and Reno, Nevada to support the development of the Metates and Talapoosa properties. The annual lease payments to the end of the leases are US\$31,656 in 2010 and US\$14,417 in 2011.

## **Subsequent Events**

On March 4, 2010 the Company signed a letter of intent for the proposal acquisition by Christopher James of the Company's Talapoosa project in Nevada (see Project Exploration and Development-Talapoosa, Nevada).

On April 30, 2010 the Company exercised its right to purchase 500,000 shares of Pinnacle Mines Ltd. ("Pinnacle") at the price of \$0.05 per share pursuant to a rights offering conducted by Pinnacle, increasing its total investment position to 1,000,000 shares in Pinnacle.

## **Related Party Transactions**

The Company has a policy that requires Related Party Transactions must be at terms which are comparable to terms available in arms-length transactions.

During 2009 the Company paid \$175,000 (\$175,000 – 2008) in management fees to a private company controlled by the President of the Company. The Company also leases office space and facilities from the same private company at the rate of \$2,000 per month.

The Company incurred legal fees during the year totaling \$31,987 from a law firm ("Koffman Kalef") in which the Company's corporate secretary, is a partner. Legal services were rendered in respect its interests in various mineral projects and on-going administrative business.

During the year the Company made payments to a director for professional consulting services totaling US\$73,500 and related company travel expenses in the amount of US\$49,195.

## **Project Exploration and Development**

### *Talapoosa, Nevada*

The Talapoosa project is a disseminated, quartz-adularia style epithermal gold-silver deposit. The project consists of 475 unpatented lode mining claims totalling approximately 5,500 acres in Lyon County, Nevada. In 1996 Miramar Mining Corporation released a resource estimate that included a measured and indicated resource of 42.7 million tons grading 0.78 g/t gold (1.06 million ounces of gold) and 10.5 g/t silver (14.5 million ounces of silver). The resource is based on cut-off grades of 0.2 g/t gold for oxide mineralization and 3.7 g/t gold for sulfide mineralization. The reported resource is historical in nature, does not comply with NI 43-101, has not been verified by Chesapeake and therefore should not be relied upon.

As at December 31, 2009 an impairment analysis of Talapoosa's carrying value was made given the uncertainties and judgments related to current and future market conditions. On this basis an impairment provision of \$27,446,776 was determined and to record the recoverable value of Talapoosa at \$5,000,000.

Subsequent to year end, Chesapeake signed a letter of intent for the proposed acquisition by Christopher James of Chesapeake's Talapoosa project. Pursuant to the terms of the letter of intent, Christopher James will acquire all of the issued shares of Chesapeake's wholly-owned subsidiary, American Gold Capital Corporation (which indirectly holds the Talapoosa property) and La Cecilia from Chesapeake's Mexican subsidiary, Minerales El Prado S.A. de C.V. Concurrent with the closing of the proposed transaction, the shares of Christopher James, subject to shareholder approval, will be consolidated on a 10:1 basis resulting in 5,524,475 post-consolidation shares ("Shares") (6,161,975 Shares fully-diluted) being issued to the existing shareholders of Christopher James. If the proposed transaction with Chesapeake is approved, Christopher James will change its name to Gunpoint Exploration Ltd. and issue 18,485,924 post-consolidation shares to Chesapeake, representing approximately 75% of the outstanding shares of Christopher James on a fully diluted basis. The proposed transaction is an arm's length transaction and will constitute a reverse takeover of Christopher James as defined by the policies of the TSX Venture Exchange.

The Directors of both Chesapeake and Christopher James have approved the letter of intent. Pursuant to the letter of intent, Chesapeake has agreed not to solicit third party interests in American Gold Capital Corporation or in the Talapoosa and La Cecilia properties and Christopher James has agreed to keep Chesapeake fully informed of any material changes to Christopher James.

The proposed transaction is subject to execution of a definitive agreement by April 30, 2010 (which did not occur however both the Company and Christopher James plan to extend the deadline for executing an agreement), regulatory approval including the TSX Venture Exchange, the approval of Christopher James' shareholders, and other conditions. There can be no assurance that the transaction will be completed as proposed or at all.

#### *Metates, Durango State*

Metates is one of the largest, undeveloped disseminated gold and silver deposits in Mexico. The property is comprised of five exploitation concessions totalling 2,420 hectares. The Metates deposit is hosted by Mesozoic sedimentary rocks that have been intruded by a quartz latite body up to 300 meters thick and 1,500 meters long. Mineralization occurs in two zones: the Main Zone which is centered around the intrusive and the North Zone, within the sediments including conglomerate, sandstone and shale. The gold-silver mineralization occurs as sulphide veinlets and disseminations in both the intrusive and sedimentary host rocks.

In May 2009 Independent Mining Consultants of Tucson, Arizona ("IMC") prepared a NI 43-101 compliant resource estimate based on drilling assay results from 171 holes totalling 63,127 meters. Based on a cut-off grade of 0.50 g/t gold equivalent and a gold price of US\$750 per ounce, the estimated in-pit mineral resources are as follows:

	<b>Tonnes (000)</b>	<b>EqGold* Grade (g/t)</b>	<b>Gold Grade (g/t)</b>	<b>Gold Ozs (000)</b>	<b>Silver Grade (g/t)</b>	<b>Silver Ozs (000)</b>	<b>Zinc Grade (%)</b>	<b>Zinc lbs (000)</b>
<b>Measured</b>	<b>181,317</b>	<b>0.98</b>	<b>0.74</b>	<b>4,291</b>	<b>17.9</b>	<b>104,349</b>	<b>0.19</b>	<b>759,300</b>
Main Zone	138,286	0.99	0.75		17.7		0.21	
North Zone	43,031	0.96	0.70		18.3		0.14	
<b>Indicated</b>	<b>521,939</b>	<b>0.86</b>	<b>0.62</b>	<b>10,455</b>	<b>17.4</b>	<b>291,989</b>	<b>0.16</b>	<b>1,840,600</b>
Main Zone	273,526	0.87	0.66		15.1		0.17	
North Zone	248,413	0.86	0.58		19.9		0.16	
<b>Measured/ Indicated</b>	<b>703,256 411,812</b>	<b>0.90 0.91</b>	<b>0.65 0.69</b>	<b>14,746</b>	<b>17.5 16.0</b>	<b>396,338</b>	<b>0.17 0.18</b>	<b>2,599,900</b>

Main Zone	291,444	0.87	0.60		19.7		0.15	
North Zone								
<b>Inferred</b>	<b>74,000</b>	<b>1.02</b>	<b>0.80</b>	<b>1,908</b>	<b>16.0</b>	<b>38,067</b>	<b>0.13</b>	<b>212,000</b>
Main Zone	15,961	0.78	0.55		16.5		0.13	
North Zone	58,039	1.09	0.87		15.8		0.12	

\*Eq.Gold = Au + Ag/72 and assumes equal metal recoveries for gold and silver.

Mineral resources were estimated using a US\$750 per ounce gold price and within an optimized pit shell (using a cut-off grade of 0.50 g/t gold equivalent) based on the concept of a large open pit. Measured, indicated and inferred classed material were allowed to contribute to the economics of the cone. The economic parameters and costs used to develop the cone shell are processing the ore via grinding, production of a flotation concentrate and oxidation of the concentrate to produce a calcine which can be treated by cyanidation to recover gold and silver. Assumed operating costs were US\$1.15/t for mining, US\$7.75/t ore for milling and treatment and US\$.50/t ore for general and administration. These assumed costs are based on a mining rate of 60,000 ore tonnes per day. Overall metal recoveries of 85% were assumed for gold and silver. Zinc credits were not included in the economics. These preliminary assumptions for projected costs and recoveries are based on projects of similar production rates and should be considered preliminary and subject to a high degree of uncertainty.

The open pit associated with the reported resources extends about 2,500 meters in a north-south direction, is about 1,700 meters wide and up to about 600 meters in depth. The overall waste to ore stripping ratio is about 1.80. Excellent potential exists to further increase the resource base. The Main Zone remains open along strike to the southeast and the North Zone remains open in both strike directions, northwest and southeast.

During 2009 Chesapeake undertook comprehensive metallurgical and processing related testwork on Metates. The gold-silver mineralization at Metates occurs in sulfide stockwork veinlets or disseminations in both intrusive and predominant sedimentary host rocks. Mineralogical and metallurgical testing at Resource Development Inc. (“RDI”), Hazen Research (“Hazen”) and other facilities has demonstrated that the gold-silver mineralization is variably refractory and primarily associated with pyrite. Metallurgical tests have been performed on core samples weighing over 6.2 tonnes and from which 48 individual composite samples and two master composite samples have been generated. Metallurgical tests to date include over 166 leach tests, 75 flotation tests, 21 roasting tests and 15 pressure oxidation tests. Testing at RDI and Hazen have demonstrated that the generation of a bulk rougher sulfide flotation concentrate followed by oxidation of the concentrate would achieve high recoveries of gold and silver during subsequent cyanidation.

Highlights from the test work were:

- Gold and silver recoveries into a bulk rougher sulfide concentrate average greater than 90% can be achieved at a relatively coarse grind size
- Gold and silver recoveries average greater than 97% and 85%, respectively, from the concentrates following pressure oxidation using relatively low temperature, pressure and residence time with no re-grinding of the concentrate
- Overall gold recoveries in the range of 85% to 90% and silver recoveries in the range of 80% to 85% through both flotation and pressure oxidation are targeted

In April, 2010 M3 Engineering & Technology of Tucson, Arizona (“M3”) completed a NI 43-101 compliant Preliminary Economic Assessment (“PEA”) on Metates. The PEA indicates a large tonnage open pit mining operation using conventional mining and milling methods to produce a sulphide concentrate followed by pressure oxidation to be feasible using current and projected future economic conditions. Highlights of the PEA using base case prices of \$900 per ounce gold, \$14 per ounce silver and \$1.00 per pound zinc is provided below. All costs are quoted in US dollars and reference to “gold equivalent” refers to gold plus the gold equivalent of silver only, at gold to silver ratio of 1:64.3. The PEA forecasts a 27 year mine life.

### Metates Preliminary Assessment Summary

	Years 2-8	Life of Mine
<b>Processed Tonnes*</b>	230 million	852 million
<b>Gold (g/tonne)</b>	0.69	0.64
<b>Silver (g/tonne)</b>	25.0	16.9
<b>Gold Equivalent (g/tonne)</b>	1.07	0.90
<b>Zinc (%)</b>	0.24	0.16
<b>Waste: Ore Ratio</b>	0.83	1.75
<b>Average Annual Production</b>		
<b>Gold (ounces)</b>	615,300	547,200
<b>Silver (ounces)</b>	22,362,000	14,497,000
<b>Gold Equivalent (ounces)</b>	963,200	772,700
<b>Zinc (million pounds)</b>	128.6	90.4
<b>Gold Equivalent Cash Cost – no zinc</b>	\$326/ounce	\$419/ounce
<b>Gold Equivalent Cash Cost – with zinc</b>	\$267/ounce	\$ 366/ounce

\* Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The PEA is based upon a new updated NI 43-101 compliant in-pit mineral resource estimate by Independent Mining Consultants of Tucson, Arizona (“IMC”) at a gold price of \$900 per ounce and a cut-off grade of 0.40 g/t gold equivalent.

Resource Class	Ore (Ktonnes)	Gold Grade (g/t)	Silver Grade (g/t)	Gold Eq. Grade* (g/t)	Zinc (%)
<b>Measured</b>	216,199	0.67	16.5	0.92	0.19
Contained Metal		4,658,000 oz	114,704,000 oz	6,416,000 oz	900,590 (Klbs)
<b>Indicated</b>	729,938	0.54	15.2	0.78	0.16
Contained Metal		12,524,000 oz	351,857,000 oz	17,941,000 oz	2,491,187 (Klbs)
<b>Measured + Indicated</b>	936,137	0.57	15.5	0.81	0.16
Contained Metal		17,182,000 oz	466,571,000 oz	24,357,000 oz	3,391,777 (Klbs)
<b>Inferred</b>	135,315	0.60	14.3	0.82	0.12
Contained Metal		2,611,000 oz	62,219,000 oz	3,572,000 oz	357,881 (Klbs)

\* Gold Equivalent equals Gold plus Silver/64.3, assuming equal metal recoveries

IMC prepared the mine schedule used in the PEA from the new resource which includes Inferred mineral resources which are considered to be too speculative geologically to have economic considerations applied that would enable them to be categorized as mineral reserves. There is no certainty that all or any part of the mineral resources will be converted into mineral reserves. A variable gold equivalent cut-off grade ranging from 0.55 g/t to 0.43 g/t was used to optimize the grades and waste:ore ratio in the early years of production. The resource used in the PEA mines a lower tonnage but higher value portion of the updated resource estimate using 0.40 g/t gold equivalent cut-off grade.

The PEA is based on a mine production rate of 90,000 tonnes per day processed by a crushing and grinding system utilizing high pressure grinding to feed a sulphide flotation plant. The bulk sulphide rougher flotation concentrate representing about 11% of the original weight of the ore, will be transported by slurry pipeline 140 kilometres downhill to an area of relatively flat terrain proximate to a large limestone resource as well as existing power, water and supporting infrastructure. The concentrate will be treated via pressure oxidation with subsequent cyanidation and Merrill-Crowe recovery of gold-silver dore. Acidic solutions from pressure oxidation will be treated with limestone and lime produced on-site. A new process will be used to produce high quality zinc metal sulphide from the pressure oxidation solutions which will be shipped to a smelter for final processing. Electrical power is to be supplied from a dedicated coal fired power plant which is included in the initial capital cost. Overall gold and silver recoveries from ore through dore production are estimated at 84.7%. Overall zinc recovery is estimated at 85%.

The initial capital costs, including contingency and working capital and the zinc recovery plant are estimated at \$3.19 billion or approximately \$153 per ounce of LOM gold equivalent production. Average

operating cost per tonne of ore mined LOM including mining, processing and G&A is estimated at \$11.58, including zinc recovery. The capital and operating costs are current to second quarter 2010.

### Capital and Operating Costs Summary

Initial	\$ 2.701 billion	Mining Cost	\$ 0.90 per tonne
Contingency and working capital	\$ 0.493 billion	Processing Cost	\$ 10.28 per tonne
Sustaining (including reclamation and salvage)	\$ 0.705 billion	G&A Cost	\$ 0.40 per tonne
Total	\$ 3.899 billion	Total	\$ 11.58 per tonne

The base case economic evaluation on a pre-tax basis and with  $\pm$  10% sensitivities are provided in the table below, which includes zinc recovery:

### Economic Results and Sensitivity Summary

	Base Case	Plus 10% Prices	Minus 10% Prices
<b>LOM Net cash Flow</b>	\$11.0 billion	\$13.1 billion	\$9.0 billion
<b>NPV (@ 5%)</b>	\$2.5 billion	\$3.5 billion	\$1.5 billion
<b>NPV (@ 8%)</b>	\$1.2 billion	\$1.9 billion	\$0.5 billion
<b>IRR (%)</b>	13.0	15.7	10.1
<b>Payback Period (yrs.)</b>	5.7	5.0	7.0
<b>Assumed Metal Prices</b>			
<b>Gold (\$/ounce)</b>	900	990	810
<b>Silver (\$/ounce)</b>	14.00	15.40	12.60
<b>Zinc (\$/pound)</b>	1.00	1.10	0.90

Mr. Gary Parkison, Metates Project Manager and a Qualified Person as defined by NI 43-101 is responsible for the technical information on Metates. Mr. Doug Austin P E , Senior Vice President with M3 and Mr. Michael Hester F AUS IMM, Vice President of IMC prepared the NI 43-101 PEA and Resource Estimates.

#### *El Tecomate, Durango State*

Chesapeake has acquired by staking two mineral concessions, El Volcan and La Verdoza, totaling 1,195 hectares.

The El Tecomate gold-silver project is a multi-vein and stockwork epithermal system mainly controlled by sets of faults and fractures associated with a collapsed volcanic caldera nearly 8 kilometers in diameter. Chesapeake has completed regional geological mapping and stream sediment geochemistry over an area of 150 square kilometers.

In December 2009, the Company entered into an agreement to sell the El Volcan and La Verdoza concessions to San Marco Resources Inc. (SMN:TSX.V). San Marco Resources Inc. has agreed to pay Chesapeake the following on closing:

- 1) US\$75,000 cash
- 2) 400,000 shares of San Marco
- 3) 1% NSR royalty on Chesapeake's two concessions as well as a five kilometer area of interest surrounding these concessions

Closing of the purchase is subject to formal execution of certain documents and stock exchange approval.

### *La Gitana, Oaxaca State*

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

A technical report on the La Gitana Project prepared by Andris Kikauka, P. Geo, in accordance with NI 43-101, concluded that the exploration program undertaken by Chesapeake on the Cerro di Oro zone of the La Gitana project (including detailed surface mapping and sampling, ground geophysics and diamond drilling) provided sufficient information to confirm the existence of well-defined gold-silver mineralization extending 500 meters in length, 50 to 150 meters wide and 50 to 300 meters deep. Step out drilling also discovered additional gold-silver mineralization along strike for over 300 meters to the southeast. In 2009 and for 2010, the Company has not budgeted additional exploration work at La Gitana.

### *Rio Minas, Oaxaca State*

Rio Minas is a silver – rich, polymetallic skarn prospect located 35 kilometers SE of La Calavera. To date, five major skarn zones have been identified within a 6 kilometer long, NE trending corridor associated with a NE-trending regional fault system. Rio Minas comprises one mineral concession that was acquired through staking totaling 7,425 hectares.

In 2008 a Phase I soil sampling program was completed on Rio Minas covering 3750 hectares. The program consisted of 10 parallel sample lines totaling 45 line kilometers. Results reveal a strong, multi-element soil anomaly in the southwestern portion of the area. The large soil anomaly is 1,200 meters long and 200 to 300 meters wide and comprises adjacent zones of elevated and coincident copper, lead, zinc, and silver.

### *Le Cecilia, Sonora State*

In 2008, Chesapeake completed its purchase of a 100% interest in the La Cecilia property from the Consejo de Recursos Minerales de Mexico (“CRM”) for the total purchase price of US\$100,000. The project consists of four mineral concessions totalling 6,435 hectares of which one concession comprising 5,641 hectares was staked by the Company.

La Cecilia is a low-sulphidation, epithermal-type gold-silver system related to two well-developed northwest and northeast trending sets of faults centred on “Cerro Magallanes”, a rhyolite dome complex. The mineralization occurs as high grade in vein structures and as lower grade within broader zones of stockworks and breccias. Numerous other anomalous zones of silicification, brecciation and argillic alteration exist across the extent of the flow dome complex, an area of more than 1 kilometre by 2 kilometres. In 2009 Chesapeake conducted a program of detailed mapping and sampling on La Cecilia.

Subsequent to year end Chesapeake has agreed to sell La Cecilia to Christopher James together with the Company’s Talapoosa project (see Talapoosa, Nevada).

### *Tatatila, Veracruz State*

Chesapeake has acquired through purchase and staking the Tatatila project, an unexplored precious metal and polymetallic mining district in Veracruz state. Chesapeake acquired seven concessions of a National Mineral Reserve totalling 2,767 hectares in staged payments totaling US\$56,000 from the CRM, a mining

division of the Mexican government. The Company also staked one concession comprising 30,000 hectares.

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

Several parties have approached Chesapeake to acquire the Tatatila project and due diligence is being conducted by interested companies.

#### *Regional Properties, Mexico*

Generative exploration is an important on-going focus for Chesapeake. Generative exploration costs are those costs not attributable to a specific identified project such as Metates. Chesapeake maintains a focus on generating new exploration targets with the emphasis on gold and silver. At any give time, several targets may be under consideration for possible acquisition though staking or entering into third party option to purchase agreements. When Chesapeake defines a project as a distinct exploration target, it is then accounted for as a separate project.

In 2009 Chesapeake incurred \$346,759 in generative and regional exploration expenditures.

#### **American Gold Business Combination**

In February 2007 Chesapeake and American Gold completed the statutory plan of arrangement involving American Gold, its shareholders and 076973 B.C. Ltd. (a wholly owned subsidiary of Chesapeake). Under the Arrangement, Chesapeake has issued 9,020,602 common shares, 902,060 Series 1 Class A shares and 4,510,301 warrants.

Each Chesapeake Series 1 Class A share shall be automatically convertible, for no additional consideration, into Chesapeake common shares on or after the date on which the average of the London PM fix closing trading price of gold for the trading days on such market during any consecutive 90 day period is equal to or greater than US\$850 per ounce of gold. Each Chesapeake Series 1 Class A share will be convertible into ten Chesapeake common shares. Accordingly, for each American Gold common share previously held, the former holder has acquired, in addition to 0.29 of a Chesapeake common share, 0.029 of a Chesapeake Series 1 Class A share which provides rights of conversion, on certain conditions, into 0.29 of an additional Chesapeake common share in accordance with the special rights provided under the Chesapeake Series 1 Class A shares. Chesapeake Series 1 Class A shares not converted into Chesapeake common shares during the five year term provided for conversion will be subject to redemption by Chesapeake for a small amount. On February 13, 2008 the US\$850 per ounce of gold conversion threshold was met resulting in the issuance of 9,020,600 common shares of the Company.

Each Chesapeake warrant entitles the holder to purchase one Chesapeake common share at an exercise price of \$8.00 for a term of five years expiring February 23, 2012.

#### **Share Data**

Chesapeake's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at May 4, 2010, there are 38,309,797 common shares issued and outstanding.

As at May 4, 2010, the Company had 4,510,301 warrants outstanding exercisable at a price of \$8.00 per share. The warrants expire on February 23, 2012.

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. These options remain outstanding as at May 4, 2010.

Shares in escrow or pool:

Escrowed – 375,000 shares

## **Outlook**

The primary focus of the Company will be the continued exploration and technical advancement of the Metates property. Based on current estimates, Chesapeake is sufficiently funded to carry out the planned exploration and operating expenditures for Metates through the end of 2010 and 2011. The Company is working toward completing a NI 43-101 prefeasibility study on Metates within the next 12-15 months.

## **Market Trends**

Although Chesapeake is an exploration company the conditions of the gold market have significant impact on the Company. The ability to access capital is affected by the gold market and the evaluation of resources are based on long term gold prices. Gold prices have been increasing over the past four years from an average of US\$604 in 2006, to US\$695 in 2007 and US\$872 in 2008. The closing gold price on December 31, 2009 was US\$1,096 per ounce and on April 30, 2010 the gold price closed at US\$1,179 per ounce.

## **Initial adoption of accounting policies**

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 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.

### ***Investments in 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. 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 unfavourable 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.

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

<b>New Notes</b>	<b>Face Value</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>
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	276,289	January 22, 2017	20%
	<u>\$ 9,209,641</u>		

As at December 31, 2008 and during 2009 the Company had classified the ABCP notes as held to maturity. At December 31, 2009 the Company assessed its intentions and ability to hold the ABCP notes to expected maturity date of January 22, 2017 and conclude that it was more than unlikely that the Company would hold the ABCP notes to maturity. As a result of the Company's change in intentions of holding the ABCP notes to maturity it has reclassified the ABCP notes from the held to maturity financial instrument category to the available for sale financial instrument category.

The Company has used a discounted cash flow approach to value the Long-Term Notes at December 31, 2009 incorporating the following assumptions:

Bankers Acceptance Rate:	0.31%
Discount Rate:	4.5%
Maturity Dates:	5 to 7 years
Expected Return of Principal:	
A – 1 Notes	100%
A – 2 Notes	100%
B Notes	0%
C Notes	0 %

Based on the discounted cash flow model as at December 31, 2009, the fair value of the ABCP Notes was estimated at \$6,236,237. As a result of this valuation, the Company recorded a permanent impairment of \$791,436 for the year ended December 31, 2009.

### **Disclosure Controls and Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining disclosure controls and procedures (“the Procedures”) which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the “Required Filings”) is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Venture Issuer Basic Certification as filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. In particular, the certifying officers filing the certificate are not making any representations relating to the establishment and maintenance of:

- i.) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii.) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

### **International Financial Reporting Standards (“IFRS”)**

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company expects to adopt IFRS effective the year ending December 31, 2011. The change in accounting polices may have a material effect on Chesapeake’s financial results and disclosures. Management is in the process of evaluating the impact on the Company’s financial statements of converting to IFRS; but it has not yet quantified the effects of this change.

### **Risks and Uncertainties**

There are certain risk factors that could have material effects that are unquantifiable at present due to the nature of the Company’s industry segment, political jurisdictions and other considerations.

## **Country Risk**

The principle business of the Company is in the exploration and development of gold-silver properties in North America. The Company is subject to the political risks and economic considerations of operating in Mexico.

## **Market and Liquidity**

The Company's principal source of funds is the issuance of common shares. The Company's common shares are publicly traded and the share price is susceptible to factors beyond management's control such as fluctuations in commodity prices and changes in the general market outlook. Should the Company require funds during a time when the price of its common shares is depressed, the Company may be required to accept significant dilution to maintain enough liquidity to continue operations.

## **Exchange Rates**

By virtue of its international operations, the Company incurs costs and expenses in foreign currencies other than the Canadian dollar. The exchange rates covering such currencies, including the U.S. dollar, are subject to fluctuation which gives rise to foreign currency exposure, either favourable or unfavourable. The Company does not hedge the U.S. dollar against its functional currencies.

## **Interest Rates**

The Company is exposed to interest rate risk on its cash and cash equivalents and its short-term investments. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are invested at lower interest rates.

## **Exploration Risk**

Exploration for minerals and development of mining operations involve many risks, many of which are outside the company's control. In addition to the normal and unusual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access.

Exploration success is a result of the Company's financial management and technical expertise together with the selection and acquisition of good mineral properties. While the discovery of an ore body may result in substantial rewards, few properties are ultimately developed into producing mines. Major capital investment is required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities. The Company presently has no proven or probable mineral reserves.

## **Competition**

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical facilities. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically. The industry competes for the technical expertise to find, develop, and produce such properties as well as the capital for the purpose of financing project development. Competition may result in the Company being unable to recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties.

## **Licenses and Permits**

The Company requires licenses and permit from various government authorities to acquire title to mineral properties and to conduct mineral exploration. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations. Although the Company is in compliance in all material

respects, there is no guarantee that it will be able to maintain all licenses and permits required to fully explore and develop its properties in such foreign jurisdictions.

## **Approval**

The Board of Directors of Chesapeake Gold Corp. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be obtained along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **Forward Looking Statements**

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

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

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