



## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the Three and Nine Months Ended September 30, 2009



## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) of Chesapeake Gold Corp. (the “Company”) is dated November 30, 2009 and provides an analysis of the Company’s operating results for the three months and nine months ended September 30, 2009. This MD&A should be read in conjunction with the Company’s September 30, 2009 unaudited interim financial statements and with the audited consolidated financial statements and related notes and schedules for the year ended December 31, 2008, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

Additional information on the Company can be found in the Company’s public filings available on SEDAR at [www.sedar.com](http://www.sedar.com). All of the financial information presented in the MD&A is expressed in Canadian dollars unless otherwise specified.

### Forward Looking Statements

*Certain information included in the MD&A may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” or “continue” or the negative thereof or variations thereon or similar terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*

### Overview

Chesapeake Gold Corp. is an exploration company focusing on the discovery and development of major gold-silver deposits in North and Central America. At September 30, 2009, the Company had 38,309,797 common shares outstanding. Chesapeake is listed on the TSX Venture Exchange under the symbol “CKG”.

Chesapeake’s primary asset is the Metates Project in Durango state, Mexico. Comprehensive metallurgical and process test work underway is being incorporated into a Preliminary Economic Assessment (“PEA”) report scheduled to be completed early next year. Chesapeake also has a portfolio of exploration properties in Mexico comprising 24,778 hectares in the states of Durango, Oaxaca, Sonora and Veracruz. In Nevada, the Company owns the Talapoosa gold-silver project.

## FINANCIAL RESULTS

### Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of Chesapeake and is derived from the unaudited quarterly financial statements prepared by management.

### Results of Operations

	Q3		Q2		Q1		Q4	
	2009	2008	2009	2008	2009	2008	2008	2007
Revenue	\$ 129,681	\$ 425,783	\$ 132,480	\$ 258,729	\$ 234,111	\$ 302,262	157,693	\$ 50,784
Net Profit (Loss)	\$ (791,756)	\$ (1,122,360)	\$ 158,115	\$ (331,577)	\$ (918,568)	\$ (126,707)	(19,320,671)	\$ (1,432,831)
Profit (Loss) per share								
Basic	\$ (0.02)	\$ (0.03)	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.00)	(0.53)	\$ (0.05)
Diluted	\$ (0.02)	\$ (0.03)	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.00)	(0.53)	\$ (0.05)

Chesapeake is in the exploration stage and therefore variance in its quarterly losses are not affected by sales or production related factors. The Company had a consolidated loss of \$791,756 for the three month period ended September 30, 2009 or \$0.02 per share compared with a loss of \$1,122,360 or \$0.03 per share for the same quarter in 2008. Total administrative expenses during the quarter were \$772,138, an increase of \$412,495 compared to the same quarter in 2008. The Company incurred non-cash stock-based compensation expense of \$251,245 during the quarter which did not occur in 2008. Interest expense of \$67,987 was higher than \$30,352 in the comparative quarter due to the increase loan margin against the ABCP investments. The Company recorded a foreign exchange loss of \$149,299 during the three months ended September 30, 2009. The loss or gain comes from funds advanced to Mexico during the current and previous periods that have changed in value due to fluctuations in the Mexican peso or United States dollar relative to the Canadian dollar. During the period the Canadian dollar depreciated relative to the US dollar and Mexican peso.

Chesapeake continues to earn interest on its cash deposits and on its short term investments but the Company uses its working capital to fund operations and mineral property development. Lower interest income of \$126,681 compared to the same quarter in 2008 (\$425,783) is from lower yields and declining balances in cash, cash equivalents and short term investments. Alternatively, the value of the Mineral Properties continue to increase each quarter from the capitalization of development expenditures related to the Metates project.

For the nine month period ended September 30, 2009 the Company had a loss of \$1,552,209 compared to a loss of \$1,580,645 for the same period in 2008. Total operating expenses for the comparative periods were \$2,240,740 (2009) and \$1,447,434 (2008). A non-cash stock-based compensation expense of \$771,066 occurred during the nine month period which reflected new option grants that did not occur in 2008. Office and administrative expenses were \$782,660, an increase of \$60,904, or 8% over the prior comparative period. Travel and investor communications increased comparative to 2008 as a result of increased personnel and activity related to Metates technical development.

### Investing Activities

Mineral property expenditures incurred to date in 2009 are lower than they were at the same time last year. The Company expended \$2,529,646 on mineral properties during the first nine months

of 2009. This compares with \$5,437,818 during the nine months ended September 30, 2008. The majority of these costs were spent on the engineering, environmental and metallurgical studies being advanced for the PEA report. During the quarter the Company continued to conduct generative and regional exploration elsewhere in Mexico. During the nine months the Company spent \$237,559 on regional exploration as compared to \$57,336 in the same period in 2008.

Planned activities for the balance of 2009 include incorporating the new resource estimate and the engineering, environmental and metallurgical work underway into a PEA report.

During the nine month period ended September 30, 2009 the Company purchased office and field equipment in the amount \$11,921.

### **Liquidity and Capital Resources**

Chesapeake is an exploration stage enterprise. The Company has no production revenue and relies on its working capital balance and its ability to raise funds through capital markets. The Company's investment income is primarily from interest earned on short term cash investments, dividends, bonds and income trust distributions. Interest rates fluctuate relative to the amount of funds held in deposit and prevailing interest rates during the year.

As at September 30, 2009, the Company's cash and cash equivalents and marketable securities totaled \$18,378,578 compared to \$19,857,017 as at December 31, 2008. The Company's net working capital at September 30, 2009 was \$6,292,546 compared to \$8,513,388 as at December 31, 2008. Current liabilities (accounts payable) were \$1,376,148 at September 30, 2009 compared to \$1,071,779 as at December 31, 2008.

Based on the management's current estimates, Chesapeake has sufficient funds to meet its planned 2009 and 2010 administrative and mineral project expenditures.

Portfolio investments as at September 30, 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 \$743,326 at September 30, 2009.

At September 30, 2009 the Company had 2,330,000 stock options outstanding which are not currently exercisable.

### **Financing**

During the quarter there were no stock options exercised or financings undertaken.

### **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\$51,901 in 2009, US\$29,056 in 2010 and US\$14,417 in 2011.

Effective September 30, 2009 the Company terminated the services contract for a consultant managing and supervising the Talapoosa project at the rate of approximately \$20,000 per month.

The Company has no material off-balance sheet arrangements, no capital lease agreements or long term obligations other than those described above or in the description of mineral properties.

### **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. These costs are incurred in the ordinary course of business.

During the nine months ended September 30, 2009 the Company paid \$131,250 (\$131,250 – 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 nine month period totaling \$17,458 from a law firm (“Koffman Kalef”) in which the Company’s corporate secretary is a partner. Legal services were rendered in respect to its interests in various mineral projects and on-going administrative items.

During the period the Company made payments to a director for professional consulting services totaling US\$15,000 and related company travel and out-of-pocket expenses in the amount of US\$18,256.

### **Project Exploration and Development**

#### *Metates, Durango State*

Metates is one of the largest, undeveloped disseminated gold and silver deposits in Mexico. The Metates deposit occurs in two zones: the Main Zone with mineralization hosted in the intrusive and its underlying sediments and the North Zone, with mineralization found in volcanic conglomerates and adjacent sediments. The property is comprised of five exploitation concessions totalling 2,420 hectares.

During 2008 Chesapeake completed a 37 hole diamond drill program totaling 14,415 meters. The objective of the drill program was to twin and validate several holes drilled by Cambior Inc. in 1993-1995, to obtain new core for metallurgical work and to test the mineralized limits of the deposit. In October, 2008 an independent NI 43-101 technical report (“Technical Report”) was completed that confirmed the twin hole program was successful in intercepting the same rock types and relatively similar metal grades over the same intervals to those in the original Cambior holes.

Incorporating Chesapeake’s drill results together with Cambior’s data base, Independent Mining Consultants (“IMC”) of Tucson, Arizona prepared a NI 43-101 compliant mineral resource estimate based on 171 drill holes totaling 63,127 meters. Using 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</b>	<b>0.90</b>	<b>0.65</b>	<b>14,746</b>	<b>17.5</b>	<b>396,338</b>	<b>0.17</b>	<b>2,599,900</b>
Main Zone	411,812	0.91	0.69		16.0		0.18	
North Zone	291,444	0.87	0.60		19.7		0.15	
<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.

During 2009 Chesapeake contracted Resource Development Inc. (“RDI”) and Hazen Research (“Hazen”) to conduct mineralogical and metallurgical work which to date include over 166 leach tests, 75 flotation tests, 21 roasting tests and 15 pressure oxidation tests. The metallurgical work has focused on the evaluation of commercially proven process alternatives that have low technical risk and provide the best combination of metal recovery and operating economics. Testing at RDI and Hazen have demonstrated that the generation of a bulk rougher sulfide flotation concentrate followed by oxidation of the concentrate achieves high recoveries of gold and silver during subsequent cyanidation.

RDI and Hazen are evaluating different oxidation methods. Roasting and pressure oxidation are the most well known and both methods allow for the recovery of an economically viable zinc by-product at prevailing zinc prices.

Chesapeake continues to advance Metates towards the completion of a NI 43-101 PEA report. M3 Engineering of Tucson, Arizona (“M3”) has been contracted to prepare the report with input from a number of other independent consulting groups. Trade-off studies are currently underway at M3 evaluating the capital and operating costs of the pressure oxidation and roasting methods. Given the large resource base and metallurgical test results, M3 is evaluating production rates of 90,000 tonnes per day and higher. The PEA report is expected to be completed in early 2010.

### *Talapoosa, Nevada*

The Talapoosa project is a disseminated, quartz-adularia style epithermal gold-silver deposit. The project consists of 475 unpatented lode mining claims totaling 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. In 2002 Pincock Allen & Holt reviewed this resource estimate and reported the classification met the definitions as stated by National Instrument 43-101.

### *El Tecomate, Durango State*

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. Detailed exploration including mapping, trenching, rock chip and channel sampling. To date, five major subparallel mineralized structures have been identified in the area, forming a 4 kilometer long, NW trending low sulfidation epithermal system. The project consists of two mineral concessions staked by Chesapeake totaling 1,195 hectares.

Two junior exploration companies have expressed interest in acquiring El Tecomate. Site due diligence and evaluation has been conducted. Chesapeake expects to complete a transaction before the end of the year.

### *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, 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. 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. The project comprises one concession totaling 7,425 hectares.

Several junior exploration companies have expressed interest in acquiring Rio Minas. Site due diligence and evaluation by the interest parties is underway.

### *Le Cecilia, Sonora State*

Chesapeake completed its final payment in 2008 to acquire the La Cecilia property from the Consejo de Recursos Minerales de Mexico. The total purchase price staged over four years was US\$100,000. The project comprises four mineral concessions totalling 6,735 hectares.

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.

Chesapeake is currently conducting a program of detailed mapping, soil and rock sampling and IP geophysics on La Cecilia.

#### *Tatatila, Veracruz State*

Chesapeake has acquired through purchase and staking the Tatatila project, a large unexplored precious metal and polymetallic mining district in Veracruz state. Chesapeake acquired seven concessions of a National Mineral Reserve totalling 2,767 hectares from the Consejo de Recursos Minerales de Mexico (CRM), a mining division of the Mexican government. Chesapeake has agreed to payments totaling US\$56,000 to the CRM over 3 years. Chesapeake also has through staking, an application pending for one concession encompassing 25,523 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.

The Company has not budgeted further exploration work in 2009.

#### *Nicaragua*

Chesapeake has decided to remain focussed in Mexico and has closed its office in Nicaragua. The Company is in the process of dissolving its subsidiary company, Nica Gold.

### **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 September 30, 2009, there are 38,309,797 common shares issued and outstanding.

As at September 30, 2009, 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 stock 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.

Shares in escrow or pool:

Escrowed – 375,000 shares

## **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 Asset Backed Commercial Paper ("ABCP"), which had a principal value of \$9,250,000 and was rated as "R1-High" by Dominion Bond Rating Service at the time of purchase. In August 2007, the ABCP market experienced liquidity problems and was subsequently frozen. In September 2007, a Pan Canadian Investors Committee for Third-Party Structured ABCP (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.

In January 2009, the Committee successfully completed the restructuring and we have now received New Notes with a face value of \$9,209,641. At the time of receipt of the New Notes, the Company received a retroactive interest payment on our original notes covering the period from August 2007 to August 2008 of \$215,811. During the nine months ended September 30, 2009, the Company received additional retroactive interest payments totaling \$123,944 covering the period from September 2008 to January 2009.

As at September 30, 2009, a secondary market has not yet been developed for the New Notes. The Company has estimated the fair value of its New Notes as at December 31, 2008 and at September 30, 2009 using the discounted cash flow method based on the terms of the New Notes received under the Restructuring Plan and using a discounted rate of 5.3% and a coupon rate of 1.4% less 0.5%. In July 2009, \$15,950 of the MAV II Class A-1 Note was redeemed. Based on

management's best estimate, the fair value of the New Notes is \$7,027,066 as of September 30, 2009.

There is no certainty regarding the development of a secondary market for the restructured notes and therefore the fair value reported may change materially in subsequent periods.

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

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are 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 Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

During 2008, there were inherent weaknesses in the Internal Controls due to the small size of the Company and its inability to segregate incompatible functions. Effective disclosure controls were achieved, despite the inherent weaknesses in internal control over financial reporting, because of the President and Chief Executive Officer's direct involvement in the disclosure controls and procedures process. Management has concluded, and the audit committee has agreed that taking into account the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis and have certified that there were no changes in the Company's Internal Controls during the year ended December 31, 2008 that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

### **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.

## **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 United States and Mexico. The Company is subject to the political risks and economic considerations of operating in Mexico.

### **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.

### **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).