



## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the Three and Six Months Ended June 30, 2008



## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) of Chesapeake Gold Corp.’s (the “Company”) financial position is for the three and six months ended June 30, 2008 and covers information up to the date of this report. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of the Company for the three and six months ended June 30, 2008 as well as the audited financial statements for the year ended December 31, 2007. The Company’s financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

This MD&A was prepared as of August 29, 2008. 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).

### Forward Looking Statements

*Certain information included in this discussion 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 June 30, 2008, the Company had 38,199,797 common shares outstanding. Chesapeake trades on the TSX Venture Exchange under the symbol “CKG”.

Chesapeake’s primary focus is the exploration and development of the Metates project in Durango state. Chesapeake also has a portfolio of exploration properties in Mexico comprising 251,502 hectares in the states of Chihuahua, Durango, Oaxaca, Sinaloa, Sonora and Veracruz. In Veracruz state, the Company has nearly completed a first pass regional reconnaissance of its 29,561 hectare land position resulting in 15 precious metal and 10 polymetallic prospects being identified in the district. In Nevada, the Company continues to evaluate opportunities to further develop the Talapoosa project.

In Nicaragua, Chesapeake owns one mineral concession, La Union, comprising 2,250 hectares.

## FINANCIAL RESULTS

### Results of Operations

#### Six Months Ended June 30, 2008

The Company had a net loss of \$458,285 for the six months ended June 30, 2008, compared with a loss of \$243,189 during the same period in the prior year. The \$215,096 increase in the net loss was largely attributable to higher office and administration costs associated with the expanded support and activity with the Metates project. Geological consulting fees of \$32,469 in the period were lower as compared to \$156,779 in 2007 because the Company has been expensing on-going costs relating to the Metates project. Office and administration expenses increased by \$290,437 to \$553,280 compared to \$262,843 in the same period last year. Bank and interest charges of \$76,615 incurred during the six months ended June 30, 2008 are for funds borrowed against the Company's Asset Back Commercial Paper Investments.

#### Three Months Ended June 30, 2008

The net loss for the three month period ended June 30, 2008 was \$331,577 compared with a net gain of \$115,523 for the second quarter in 2007. Office and administrative expenses \$266,757 in the second quarter were higher compared to \$49,911 in the same period last year, due to the growth and higher activity of the Company's operations. Geological consulting fees of \$16,701 in the quarter were lower compared to \$89,084 in 2007 as a result of certain consulting work being capitalized to the Metates project. The professional fees and transfer agent fees of \$81,576 and \$41,974 were also comparatively higher in the second quarter compared to \$27,706 and \$7,875 reported in 2007. Investor relations and travel expenses of \$34,457 were slightly lower than \$40,051 incurred in last year's second quarter. Bank and interest charges of \$35,921 incurred during the second quarter are for funds borrowed against the Company's Asset Back Commercial Paper Investments.

The Company spent \$21,091 on administrative and property maintenance in Nicaragua during the second quarter ended June 30, 2008.

### 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.

	Q2		Q1		Q4		Q3	
	2008	2007	2008	2007	2007	2006	2007	2006
Revenue	\$ 258,729	\$ 420,402	\$ 355,180	\$ 302,262	\$ 50,784	\$ 319,349	\$ 430,721	\$ 332,234
Net Profit (Loss)	\$ (331,577)	\$ 115,523	\$ (126,707)	\$ (358,712)	\$ (1,432,831)	\$ (3,001,977)	\$ (797,290)	\$ (63,653)
Profit (Loss) per share								
Basic	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.02)	\$ (0.05)	\$ (0.15)	\$ (0.03)	\$ (0.00)
Diluted	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.02)	\$ (0.05)	\$ (0.15)	\$ (0.03)	\$ (0.00)

### Investing Activities

The Metates property is the Company's primary focus. Exploration and development costs totaled \$2,995,523 at Metates for the six months ended June 30, 2008. Drilling costs and assays were \$1,234,487 and \$1,380,974 was spent on engineering and development. In Veracruz state, exploration expenditures incurred on its Tatatila project were \$280,367 during the six months ended June 30, 2008.

## **Liquidity and Capital Resources**

Chesapeake is an exploration stage company with insufficient revenue to meet its annual capital requirements. The Company expects that its current cash balance will fund its property and administration costs in 2008. As at June 30, 2008, the Company's cash and cash equivalents and marketable securities totaled \$18,747,997 compared to \$22,170,066 as at December 31, 2008.

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 its properties which have been joint ventured or optioned. As the Company uses its funds for operating and investing activities, the cash investments have been decreasing. This trend is expected to continue. The lower cash balances have led to a decrease in quarter-to-quarter interest income.

Working capital at June 30, 2008 was \$15,638,442 compared to \$18,916,815 as at December 31, 2007. Current liabilities were \$4,417,810 at June 30, 2008 compared to \$3,793,680 as at December 31, 2007.

Portfolio investments as at June 30, 2008 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, 250,000 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 \$611,750 at June 30, 2008.

At June 30, 2008 the Company had 807,500 options outstanding which are in-the-money. If exercised, the Company's available cash would increase by \$2,664,750.

## **Financing**

The financing activity during the three and six months ended June 30, 2008 was stock option exercises. During the first and second quarter the Company issued 85,000 shares for net proceeds of \$280,500 from the exercise of stock options.

## **Contractual Obligations**

During the second quarter the Company entered into a contract to lease office space in Denver, Colorado. The Company has a thirty-eight month agreement expiring August 31, 2011. The annual lease payments during the term of the lease are US\$20,516, US\$21,071 and US\$21,625.

## **Related Party Transactions**

The Company has carried out transactions with related parties in the normal course of business.

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 the quarter the Company paid \$43,750 (\$43,750 – 2007) in management fees to a private company controlled by an officer 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 second quarter totaling \$13,922 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 quarter a director of the Company was paid for professional consulting services totaling US\$15,000 and related company travel expenses in the amount of US\$3,428.

## **Project Exploration and Development**

### *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. In 1996, predating NI 43-101 requirements, Cambior Inc. using a 0.70 g/t equivalent gold cut-off, calculated a tonnage and grade estimate of 492 million tonnes of 0.74 g/t gold, 18.2 g/t silver and 0.17% zinc, which is contained within a 823 million tonne (0.50 g/t equivalent cut-off) mineralized system. The reported resource does not comply with NI 43-101 standards nor has it been verified by Chesapeake and therefore should not be relied upon.

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. Previous exploration concentrated on drilling the Main Zone. The down-dip extensions of the Main and North Zone remain open.

Chesapeake’s primary effort at Metates is the comprehensive analysis of the exploitation potential including mineralogical analysis, metallurgical testing, mine planning, flow sheet development and project design. Development work is underway in two phases. The first phase is updating Cambior Inc.’s 1997 pre-feasibility study based on mining the upper portion of the intrusive mineralization in the Main Zone hosting 122 million tonnes at a grade of 0.87 g/t gold, 15.32 g/t silver and .29% zinc and an additional 162 million tonnes at 0.21% zinc. The first phase will utilize Cambior’s same pit geometry but with technological improvements in mine engineering and metallurgical processing with a flow sheet that will include a zinc recovery circuit.

The Company has completed a twin hole program in both the Main and North Zones. A total of 21 twin holes were drilled of which 9 holes were completed in the North Zone during the second quarter. An independent consultant is reviewing the twin hole program and a report of the results is anticipated in September.

Currently two core rigs are on site and are drilling an untested corridor between the Main and North Zones as well as stepout holes outside the zones. To date Chesapeake has completed 32 diamond drill holes totaling 12,900 meters.

As previously reported Chesapeake expects to complete a Phase I NI43-101 compliant report in the third quarter of 2008. Technical engineering work underway in support of the report and Phase II includes updated supply and demand analysis for power and water and evaluating alternative potentially viable processing flowsheets. Composite core samples from the drill program have been selected for the Phase II metallurgical test work. The Phase II program will largely focus on determining the most economic and technically viable processing flowsheet.

### *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. For 2008, the Company has not budgeted additional exploration work at La Gitana.

### *La Calavera and Rio Minas, Oaxaca State*

La Calavera is a precious metal-copper skarn project centered over a large, oval-shaped NE trending intrusion complex, approximately 1.5 kilometers by 4 kilometers in size. This intrusion event caused widespread alteration around its margins and introduced polymetallic silver-copper-gold mineralization in the form of skarn replacement and locally well-developed porphyry-style mesothermal to epithermal quartz veining. The La Calavera project comprises two mineral concessions totaling 8,247 hectares.

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.

The TSX Venture Exchange has accepted for filing an agreement with Pinnacle Mines Ltd. (“Pinnacle”) whereby Pinnacle has the right to acquire up to 70% in the La Calavera and Rio Minas copper-silver-gold properties. Per the agreement, Pinnacle can earn a 51% interest in the properties by issuing 100,000 common shares and a US\$50,000 cash payment upon receipt of regulatory approval and a further 150,000 shares in September 2007. Pinnacle has committed to expend US\$500,000 on the properties during the first year. On or within the first anniversary of the formal agreement date, Pinnacle are required to pay an additional US\$50,000 cash and issue 250,000 shares. On the second, third, and fourth anniversaries, Pinnacle will pay Chesapeake US\$400,000 per year by way of cash or shares and commit to work expenditures in years 2-5 of US\$1,250,000; \$1,250,000; \$1,500,000 and \$1,500,000 respectively. Pinnacle has an option to earn an additional 19% by completing a bankable feasibility study by year 8, providing Chesapeake with a US\$3.0 million payment (cash and/or shares) and providing production financing for the properties. To date the Company has received US\$100,000 in cash payments and 500,000 common shares pursuant to the agreement.

Last year Pinnacle completed a 12,000 meter Induced Polarization-Resistivity survey in ten lines on 100 meter spacing at La Calavera. The IP-Resistivity results generated strong targets outward from the main granodiorite intrusive in prospective host rocks covering an area over 100 meters long and 750 meters wide. Earlier this year Pinnacle completed six diamond drill holes on La Calavera averaging 317 meters in depth. Assay results from the drill holes returned weak anomalous results but demonstrated skarn mineralogy similar to Linear Metal’s nearby Cobre Grande project with widespread hornfels, garnet and pyroxene alteration. Pinnacle has suspended the drill program pending further evaluation of the results.

At Rio Minas Pinnacle recently completed a Phase I soil sampling program covering 3750 hectares. The program consisted of 10 parallel sample lines totaling 45 line kilometers. Assays have been received from approximately 50 per cent of the soil samples. 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. Additional soil anomalies have been identified in the survey area.

A follow-up detailed geologic mapping and sampling is underway focusing on the large soil anomaly. Pinnacle plans to drill test targets delineated from the 2008 work program at Rio Minas in 2009.

#### *Regional Properties, Oaxaca State*

Chesapeake has staked five additional mineral concessions totaling 40,703 hectares located along a northwest trend between the La Gitana Project and the La Calavera/Rio Minas Project in the Oaxaca state. Regional exploration has identified ten mineral prospects in the district including four precious metals and six polymetallic systems.

#### *El Tecomate, Durango and Sinaloa 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 has focused on the Tecomate center zone. To date, five major subparallel mineralized structures have been identified in the area, forming a 4 kilometer long, NW trending low sulfidation epithermal system.

Several companies have expressed interest to joint venture El Tecomate. The Company continues to evaluate the business options to further explore the project.

#### *Tatatila, Veracruz State*

Chesapeake has acquired through purchase, joint venture and staking the Tatatila project, a large unexplored precious metal and polymetallic mining district in Veracruz state. In consolidating the district, 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. In September, Chesapeake optioned five additional concessions (1271 hectares) from Bell Resources Corporation (Symbol: BL-V) whereby a 90% interest can be earned by making staged payments of US\$1,410,000 and incurring US\$1.4 million in exploration expenditures over 4 years. Adjacent to and surrounding the negotiated concessions, Chesapeake acquired, through staking, 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.

To date approximately 80% of the 29,561 hectares held by the Company have been prospected with 40 different mineralized areas defined. Follow-up mapping and sampling undertaken in 2008 included over 1,400 rock chip samples being collected. Promising preliminary channel samples from two new prospects, La Gaviota and Paulina, returned 11 meters of .24 g/t gold, 37 g/t silver, 12.95% zinc, 0.21% lead and 18 meters of 3.77 g/t gold, 7.3 g/t silver and 0.51% copper, respectively.

During the second quarter the Company also conducted semi-detailed work on the extension of three precious metal-copper zones namely, Jenny-Perdida, Melany and Adai. Significant extension cuts from these zones include:

Perdida: 15 meters of 3.2 g/t gold, 21.2 g/t silver, 1.8% copper, 0.11% zinc

Jenny: 17 meters of 1.2 g/t gold

Melany: 20 meters of 1.9 g/t gold, 9.5 g/t silver, 1.29% copper

Adai: 33 meters of 1.2 g/t gold, 7 g/t silver, 0.55% copper

### *Nicaragua*

On March 23, 2007 Chesapeake through its wholly owned subsidiary, Nica Gold S.A. ("Nica Gold"), entered into an agreement to acquire the Santo Domingo Project in Nicaragua. Chesapeake has agreed to make staged payments totalling US\$3.0 million (including a US\$250,000 initial payment) over four years to acquire Santo Domingo from the Cooperative Small Miners of Santo Domingo ("Coop"). The title transfer requires the approval from the Ministry of Energy and Mines ("MEM") as well as certain conditions to be met by the Coop.

Santo Domingo is a low sulfidation, gold-silver epithermal system hosted in Tertiary andesites and occurs in a series of high grade, structurally controlled veins that are associated with broad zones of stockworks and breccias. So far, at least eight major sub-parallel mineralized structures have been recognized at Santo Domingo. The structures trend mostly NE, vary from 2 to 30 meters in width and remain continuous for more than 3.5 kilometres along strike.

At present the MEM has approved the title transfer but to date the Coop has not met the agreed conditions. Due to non-compliance, MEM has authorized the release of the \$250,000 held in trust to Nica Gold and will not issue a work permit for the project to the Coop or any third party until the Coop resolves the outstanding terms agreed to in the option agreement. Nica Gold has advised the Coop it will seek additional compensation of US\$450,000 for breach of contract in the event the terms of the option agreement are not met.

### *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.

Chesapeake is reviewing the exploration potential to advance Talapoosa with the objectives of increasing the grade and size of the measured and indicated resource. In addition, several parties have expressed interest in developing and/or acquiring Talapoosa. The Company continues to evaluate both opportunities.

## American Gold Business Combination

Last February Chesapeake and American Gold Capital Corporation (“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.

## Management Changes

Effective April 17, 2008 the Company announced Mr. Mark Malfair as the Vice President of Exploration following the resignation of Mr. Alain Charest.

## 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 June 30, 2008, there are 38,199,797 common shares issued and outstanding.

As at June 30, 2008, the Company had 807,500 stock options and 4,510,301 warrants outstanding. The following is the summary of stock options and warrants.

<b>Securities</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	807,500	\$3.30	December 12, 2008
Warrants	4,510,301	\$8.00	February 23, 2012

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. Chesapeake is sufficiently funded to carry out the planned exploration and operating expenditures through the end of 2008 for the Metates and its other corporate projects.

## **Financial Instruments and Other Instruments**

The Company's financial instruments include cash and equivalents, accounts receivable, marketable securities, portfolio investments, and accounts payable. The Company incurs certain of its expenses in currencies other than the Canadian dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and certain investments. These investments include bank term deposits, guaranteed investment certificates, asset backed commercial paper and treasury bills. These instruments bear a fixed rate of interest and a fixed maturity date. If the Company is required to liquidate them prior to the maturity date, there is a risk that interest rates will have increased such that the market value of the instrument is less than the expected value. To reduce credit risk, cash and these investments are on deposit at major financial institutions.

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

### ***Investments in Asset Back Commercial Paper***

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

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

Based on the Pan-Canadian Investors Committee proposal and on discussions in January 2008 with the Company's financial adviser and the sponsor of its ABCP, the Company expects that approximately 100% of the value of its investment in ABCP will be issued in the form of new notes having a maturity greater than 1 year. The senior notes will have interest and are intended to receive a high investment grade rating. However, with no current liquidity, the Company has reclassified its investment in ABCP on the balance sheet from current to long term assets, and has, using the discounted cash flow method based on the proposed restructuring and assuming a discount rate of 5.5%, estimated the current fair value of its ABCP as \$8,193,181, and has recorded an impairment loss of \$1,016,460 in operations.

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

### **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 2007, there were inherent weaknesses in the Internal Controls due to the small size of the Company and its inability to segregate incompatible functions. The Company plans to remedy these weaknesses by expanding the number of individuals involved in the accounting function as the Company grows. 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.

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 three and six months ended June 30, 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 policies 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 North and Central America. The Company is subject to the political risks and economic considerations of operating in Mexico and Nicaragua.

### **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.

### **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.

## **Metal Prices**

The value of the Company's properties and prospects for their successful development are subject to favourable prices for the metals involved, such as gold, silver, zinc, copper and lead. These prices may not remain at levels required to make development of any given property feasible.

## **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).