



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

SEPTEMBER 30, 2006

(Unaudited)

CHESAPEAKE GOLD CORP.
CONSOLIDATED BALANCE SHEETS
September 30, 2006
(With Comparative Figures as at December 31, 2005)
(In Canadian Dollars)

	September 30, 2006 (Unaudited - Prepared by Management)	December 31, 2005 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,943,172	\$ 16,607,878
Accounts receivable	18,901	97,166
TOTAL CURRENT ASSETS	15,962,073	16,705,044
Long Term Investments		
Investment in Mineral Properties (notes 3 and 5)		
Mineral concessions	1,009,710	889,809
Deferred exploration costs	6,004,467	4,789,122
TOTAL INVESTMENT IN MINERAL PROPERTIES	7,014,177	5,678,931
Fixed Assets, at cost less amortization (note 2(g))	306,003	363,794
TOTAL ASSETS	\$ 32,697,689	\$ 32,628,038
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 352,268	\$ 391,855
Income taxes payable (Note 11)	241,348	198,509
TOTAL CURRENT LIABILITIES	593,616	590,364
Shareholders' Equity		
Capital stock (note 6)		
Authorized:		
100,000,000 common shares without par value		
Issued:		
19,752,795 common shares (December 31, 2005 - 19,752,795 common shares)	33,191,960	33,191,960
Contributed surplus - Stock-Based Compensation (Note 2(f))	1,004,272	1,004,272
Retained earnings (Deficit), accumulated during the development stage (note 1)	(2,092,159)	(2,158,558)
TOTAL SHAREHOLDERS' EQUITY	32,104,073	32,037,674
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 32,697,689	\$ 32,628,038

APPROVED ON BEHALF OF THE BOARD:

" P. Randy Reifel " _____ Director

"Gerald L. Sneddon " _____ Director

CONSOLIDATED STATEMENTS OF INCOME**For Nine Months Ended September 30, 2006****(With Comparative Figures for Nine Months Ended September 30, 2005)****(In Canadian Dollars)****(Unaudited - Prepared by Management)**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
INTEREST & OTHER REVENUE, net	\$ 1,262,597	\$ 1,393,330	\$ 332,234	\$ 439,964
GENERAL AND ADMINISTRATION EXPENSES				
Amortization	86,606	69,661	32,281	27,660
Filing and transfer agent fees	18,846	22,037	1,681	3,320
Geological and other evaluation	241,423	246,202	57,624	
Management fees (note 7)	131,250	131,250	43,750	43,750
Office and administration	454,845	537,254	197,618	204,117
Professional fees	144,868	25,810	86,997	5,897
Travel and investor communications	75,521	67,454	16,545	11,028
	1,153,359	1,099,668	436,496	295,772
PROFIT (LOSS) BEFORE TAXES	109,238	293,662	(104,262)	144,192
Provision (Recovery) for income taxes	42,839	64,316	(40,609)	49,026
NET PROFIT (LOSS) FOR THE PERIOD	\$ 66,399	\$ 229,346	\$ (63,653)	\$ 95,166
Weighted Average Number of Shares Outstanding				
Basic	19,752,795	18,059,424	19,752,795	18,367,673
Diluted (Note 2(m))	19,765,768	18,090,732	19,765,695	18,395,521
PROFIT (LOSS) PER SHARE				
Basic	\$ 0.00	\$ 0.01	\$ (0.00)	\$ 0.01
Diluted	\$ 0.00	\$ 0.01	\$ (0.00)	\$ 0.01

CHESAPEAKE GOLD CORP.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

For Nine Months Ended September 30, 2006

(With Comparative Figures for Nine Months Ended September 30, 2005)

(In Canadian Dollars)

(Unaudited - Prepared by Management)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net profit (loss) for the period	\$ 66,399	\$ 229,346	\$ (63,653)	\$ 95,166
Retained earnings (Deficit), beginning of period	(2,158,558)	(3,939,597)	(2,028,506)	(3,805,417)
Retained earnings (Deficit), end of period	<u>\$ (2,092,159)</u>	<u>\$ (3,710,251)</u>	<u>\$ (2,092,159)</u>	<u>\$ (3,710,251)</u>

CHESAPEAKE GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For Nine Months Ended September 30, 2006
(With Comparative Figures for Nine Months Ended September 30, 2005)
(In Canadian Dollars)
(Unaudited - Prepared by Management)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
FUNDS DERIVED FROM (APPLIED TO)				
Operating activities				
Net profit for the period	\$ 66,399	\$ 229,346	\$ (63,653)	\$ 95,166
Items not requiring use of cash				
Amortization	86,606	69,661	32,281	27,660
Changes in non-cash working capital items				
Accounts receivable	78,265	(111,651)	68,884	(103,232)
Accounts payable and accrued liabilities	(39,587)	189,860	(25,938)	(8,374)
Income taxes payable	42,839	64,316	(40,609)	49,026
Cash derived from operating activities	234,522	441,532	(29,035)	60,246
Investing activities				
Mineral concessions	(119,901)	(116,166)	59,235	(122,101)
Deferred exploration costs	(1,215,345)	(2,260,657)	(375,987)	(779,477)
Fixed assets purchased	(28,815)	(147,705)	(4,644)	(48,744)
Cash used for investing activities	(1,364,061)	(2,524,528)	(321,396)	(950,322)
Financing activities				
Short term investments	464,833	(5,093,564)	(24,653)	(5,397,381)
Marketable securities		(137,500)		-
Common shares issued for cash		3,166,890		3,120,390
Cash derived from (used for) financing activities	464,833	(2,064,174)	(24,653)	(2,276,991)
CASH (DECREASE) DURING THE PERIOD	(664,706)	(4,147,170)	(375,084)	(3,167,067)
BALANCE, BEGINNING OF PERIOD	16,607,878	22,770,543	16,318,256	21,790,440
BALANCE, END OF PERIOD	\$ 15,943,172	\$ 18,623,373	\$ 15,943,172	\$ 18,623,373

See Accompanying Notes to Consolidated Financial Statements

To the Shareholders of Chesapeake Gold Corp.

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying interim unaudited consolidated financial statements for the third quarter ended September 30, 2005 have been prepared by and are the responsibility of management. These interim financial statements, along with the accompanying notes have been reviewed and approved by the members of the Company's audit committee. In accordance with Canadian Securities Administrators National Instrument 51-102, the Company discloses that these unaudited interim financial statements have not been reviewed by the Company's auditors.

Vancouver, BC
November 29, 2006

MANAGEMENT

CHESAPEAKE GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(In Canadian Dollars)
(Unaudited)

NOTE 1. BUSINESS OPERATIONS

The Company was incorporated under the Laws of British Columbia, Canada on April 18, 2002. The Company's name was changed from Chesapeake Gold Ltd. to Chesapeake Gold Corp. on May 9, 2002.

The Company is in its development stage in the resource industry and has not generated any revenues from its planned operations, except for interest and other revenue received.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minerales El Prado S.A. de C.V., a Mexican corporation and Nica Gold S.A., a Nicaraguan corporation. All intercompany transactions and balances have been eliminated.

b) General and Administration Expenses

General and Administration Expenses incurred at the Company's head office and subsidiary operations are written off as incurred.

c) Accounting Estimates

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, the anticipated costs of asset retirement obligations including the reclamation of mine sites and the computation of stock-based compensation.

CHESAPEAKE GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006
(In Canadian Dollars)
(Unaudited)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Mineral Properties

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs, net of incidental revenues, are capitalized until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include related value-added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Generative exploration costs that do not result in a property acquisition and / or joint venture are written off.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying costs may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying costs of a property are not recoverable and exceed their fair value.

Certain of the Company's exploration and development activities are conducted jointly with others. These consolidated financial statements reflect only the Company's interests in such activities.

Option payments received are firstly credited against the cost of mineral concessions, and after recovery of these costs then, secondly, credited against deferred exploration costs, and thereafter if all mineral concession costs and all deferred exploration costs are recovered, thirdly, recorded as income in the period in which consideration is received.

e) Translation of Foreign Currency

The accounts of the Company are translated into Canadian dollars on the following basis:

- current assets and liabilities at the rate of exchange in effect at the balance sheet date
- deferred exploration costs and general and administration expenses at the average rate in effect during the period
- non-current assets and liabilities at rates prevailing when the transaction occurred
- exchange gains or losses on conversion are included with net interest income.
- fixed assets are measured at historical exchange rates that existed at the time of the transaction.
- depreciation is measured at historical exchange rates that existed at the time the underlying fixed asset was acquired.
- capital accounts are translated at their historical exchange rates when the capital stock is issued.

CHESAPEAKE GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In Canadian Dollars)
(Unaudited)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Stock-based Compensation

The Company has stock-based management incentive plans, which are described in Note 6(b). Effective May 9, 2002, date of incorporation, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, are accounted for using the fair value method. No compensation cost was recorded for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital.

Effective January 1, 2004, the Company retroactively adopted the amended Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" that requires the use of the fair-value method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statement of operations. Prior to January 1, 2004, the Company disclosed the effects of the fair-value method in the notes to the financial statements and did not recognize stock-based compensation relating to stock options granted to employees and directors in the statement of operations. Under the revised accounting policy, the Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period of the options in the results from operations. The cumulative effect of this change in accounting for stock-based compensation of \$4,450,944, determined as of January 1, 2004, for stock options granted on or after May 9, 2002, is reported separately in the consolidated statement of deficit and as an adjustment to contributed surplus. There were no options granted on or after May 9, 2002 exercised prior to January 1, 2004. As allowed under the provisions of HB3870, prior periods have not been restated to apply the provisions of the revised accounting policy for stock-based compensation. No options were exercised during the quarter ended September 30, 2006, resulting in the balance of contributed surplus-stock-based compensation of \$1,004,272 as at September 30, 2006.

g) Fixed Assets and Accumulated Amortization

The Company amortizes its capital assets on the declining balance method, at the following rates:

- Office equipment-20% per annum
- Computer equipment – 30% per annum
- Vehicles- 30% per annum
- Exploration equipment - 20% per annum

CHESAPEAKE GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In Canadian Dollars)
(Unaudited)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Fixed Assets and Accumulated Amortization (cont'd)

	30-Sep-06		
	At Cost	Accumulated Amortization	Net Book Figures
Office equipment	\$ 39,421	\$ 22,640	\$ 16,781
Computer equipment	50,761	24,046	26,715
Vehicles	246,146	150,008	96,138
Exploration equipment	284,647	118,278	166,369
	<u>\$ 620,975</u>	<u>\$ 314,972</u>	<u>\$ 306,003</u>

	31-Dec-05		
	At Cost	Accumulated Amortization	Net Book Figures
Office equipment	\$ 39,421	\$ 19,679	\$ 19,742
Computer equipment	39,521	14,432	25,089
Vehicles	228,572	105,335	123,237
Exploration equipment	284,647	88,921	195,726
	<u>\$ 592,161</u>	<u>\$ 228,367</u>	<u>\$ 363,794</u>

h) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary difference), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

i) Pension and Employment Liabilities

The Company does not have any liabilities as at September 30, 2006 for pension, post-employment benefits or post-retirement benefits. The Company does not have a pension plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Earnings (Loss) Per Share

Net income per common share is computed by dividing net income by the weighted average of shares outstanding during the period.

Computation of basic and diluted weighted average of shares outstanding for the period ended September 30, 2006, is as follows:

Basic weighted average shares	19,752,795
Diluted weighted average shares	19,765,768
Earning (Loss) per share - Basic	\$ -
Earning (Loss) per share - Diluted	\$ -

k) Commitment and Contingencies

In management's opinion, there are no significant commitments and legal proceedings to which the company is subject.

l) Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred.

Upon initial recognition of a liability for an asset retirement obligation, the Company will recognize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. In periods subsequent to the initial measurement, the Company will recognize period-to-period change in the liability for an asset retirement obligation resulting from the passage of time and revision to either the timing or the amount of the original estimate of undiscounted cash flows.

CHESAPEAKE GOLD CORP.
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NOTE 3. SUBSIDIARY COMPANIES

- a) Minerales El Prado S.A. de C.V.
- i) In July 2002, the Company acquired a private Mexican company, Minerales El Prado S.A. de C.V. (“MEP”).
 - ii) Mexican Property Acquisitions

Sinaloa and Durango State

MEP has an option to acquire a 100% interest in one mineral concession (El Tecomate) in Durango state. MEP has agreed to property payments totaling US\$500,000 over five years which includes a US\$450,000 final payment. The vendor retains a 1% NSR which can be purchased for US\$500,000. Two adjacent contiguous claims, El Volcan and La Verdoza, were staked by MEP and extend across the border into Sinaloa state. The three mineral concessions cover 10,475 hectares.

Cucaracha Dorado Property , Durango State

MEP has an option to acquire a 100% interest in the Cucaracha Dorado mineral concession covering 2,770 hectares in Durango State. To earn its 100% interest, MEP has agreed to make loan and option payments that total US\$460,000 over four years which includes a US\$400,000 final payment. The vendors retain a 2% net smelter royalty and MEP has the option to purchase half the royalty (1%) at any time with a payment of US\$1.0 million. MEP has also acquired, by staking, two additional mineral concessions in Durango State totaling 19,382 hectares.

On June 12, 2006 the Company signed an option agreement whereby Christopher James Gold Corp. (“Christopher James”) has the right to acquire up to 65% interest in the Cucaracha Dorada. To initially earn 51%, Christopher James must pay to Chesapeake US\$100,000 and issue to Chesapeake 800,000 common shares of Christopher James during the first year of the agreement, and either pay an additional US\$250,000 or issue and additional 50,000 common shares of Christopher James to Chesapeake on each of the second and third anniversaries of the agreement. In addition, Christopher James must incur exploration expenditures totaling US\$3.0 million over four years, US\$500,000 of which must be incurred during the first year of the agreement.

CHESAPEAKE GOLD CORP.
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NOTE 3. SUBSIDIARY COMPANIES (cont'd)

Christopher James may further increase its interest to 65% by either completing a bankable feasibility study or incurring additional exploration expenditures of US\$7.0 million during the five year period after it has acquired its 51% interest in the project. During the option period, Chesapeake has also granted Christopher James a first right of refusal to acquire an interest in other mineral projects that Chesapeake decides to joint venture which are located in Durango state and Chihuahua state. In such event, Christopher James has the opportunity to decide within 30 days if it wishes to accept the option terms specified by Chesapeake.

The TSX Venture Exchange approved the option agreement in September, 2006. The Company has received the initial US\$50,000 payment and 400,000 common shares of Christopher James pursuant to the agreement.

La Gitana Property, Oaxaca State

The La Gitana Property comprises nine mineral concessions totaling 352,178 hectares. MEP has an option to acquire a 75% interest in one concession from Luismin S.A. de C.V., a wholly-owned subsidiary of Goldcorp Inc. by spending US\$2.0 million in exploration expenditures by the end of 2010 (vested). The eight other concessions totaling 351,684 hectares have been staked by MEP and are 100% owned by MEP.

La Calavera Property, Oaxaca State

The Company has acquired an option to acquire a 100% interest in two mineral concessions comprising 8,247 hectares ("La Calavera Project") in Oaxaca State, Mexico. One concession is being acquired by making staged property payments totaling US\$500,000 over four years which includes a US\$430,000 final payment. The vendors retain a 1% NSR which can be purchased for US\$1.0 million. The second concession can be acquired by the issuance of 150,000 shares of the Company over five years of which 25,000 shares have been issued. A 2% NSR royalty is retained on the second concession of which 1% can be purchased for US\$2.0 million. The Company has also agreed to undertake US\$2.5 million in exploration expenditures on the La Calavera Project over five years.

On September 27, 2006 the company signed a letter with Pinnacle Mines Ltd. ("Pinnacle") whereby Pinnacle has the right to acquire up to 70% in the La Calavera and Rio Minas properties. Subject to regulatory approval and a formal joint venture agreement with Chesapeake, Pinnacle can earn a 51% interest in the properties by issuing 100,000 common shares and a US\$50,000 cash payment upon signing the formal agreement and issuing a further 150,000 shares on June 1, 2007. On or within the first anniversary of the agreement date, Pinnacle will pay an additional US\$50,000 cash and issue 250,000 shares and commit US\$500,000 for work expenditures on the properties. On the second, third, and fourth anniversaries, Pinnacle will pay

CHESAPEAKE GOLD CORP.
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NOTE 3. SUBSIDIARY COMPANIES (cont'd)

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.

La Cecilia Property, Sonora State

The Company has signed an option agreement to acquire a 100% interest in the La Cecilia gold project, which consists of three mineral concessions totaling 794 hectares located in northern Sonora State. The Company can earn its 100% interest by making the following staged payments totaling US\$100,000 to the Consejo de Recursos Minerales de Mexico ("CRM") over 4 years. The CRM retains a 1% net smelter royalty. The payment schedule of the aforementioned amount is:

US\$10,000 upon signing the option agreement (the "Effective date")
US\$15,000 on the first anniversary of the Effective Date; (paid)
US\$20,000 on the second anniversary of the Effective Date;
US\$25,000 on the third anniversary of the Effective Date; and finally
US\$30,000 on the fourth anniversary of the Effective Date.

Chihuahua State

MEP has acquired, by staking, three mineral concessions, La Salvacion, La Esperanza and Chelito totaling 120,335 hectares.

b) Nica Gold S.A.

Chesapeake owns a 100% interest in a private Nicaragua company, Nica Gold S.A., ("Nica Gold"). Nica Gold has, through staking, acquired one mineral concession, La Union, totalling 24,500 hectares in Nicaragua. Title has been issued to Nica Gold for the concession.

CHESAPEAKE GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4. SEGMENTED INFORMATION

The following table summarizes the Company's current assets and long-lived assets in different geographic locations:

Balance at September 30, 2006

	Canada	Mexico	Nicaragua	Total
Current Assets	\$ 15,962,073	\$ --	\$ --	\$ 15,962,073
Investment in Mineral Properties	--	6,492,481	521,696	7,014,177
Fixed Assets	137,469	168,534	0	306,003
Long Term Investment	9,415,436	--	0	9,415,436
	<u>\$ 25,514,978</u>	<u>\$ 6,661,015</u>	<u>\$ 521,696</u>	<u>\$ 32,697,689</u>

Balance at December 31, 2005

	Canada	Mexico	Nicaragua	Total
Current Assets	\$ 16,705,044	\$ --	\$ --	\$ 16,705,044
Investment in Mineral Properties	--	5,248,316	430,615	5,678,931
Fixed Assets	168,753	195,041	0	363,794
Long Term Investment	9,880,269	--	0	9,880,269
	<u>\$ 26,754,066</u>	<u>\$ 5,443,357</u>	<u>\$ 430,615</u>	<u>\$ 32,628,038</u>

NOTE 5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

To September 30, 2006, the Company has invested in mineral properties and deferred exploration costs as follows:

Acquisition Costs of Mineral Properties	Balance Sep-30 2006	Additions During the Nine Month Period Ended Sep-30 2006	Balance December 31, 2005
Minerales EL Prado S.A. de C.V.			
Cucaracha Dorada	\$ 99,547	\$ 2,585	\$ 96,962
La Gitana	171,568	18,297	153,271
El Tecamate	10,260	10,260	
La Calavera	176,455	41,489	134,966
La Cecilia	32,847	1,574	31,273
Regional	505,996	242,760	263,236
Subtotal	996,673	316,965	679,708
Shares and cash received from joint venture	(282,500)	(282,500)	
Nica Gold S.A.	295,537	85,436	210,101
Total Acquisition Costs	<u>\$ 1,009,710</u>	<u>\$ 119,901</u>	<u>\$ 889,809</u>

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	Balance Sep-30 2006	Additions During the Nine Month Period Ended Sep 30 2006	Balance December 31, 2005
Deferred Exploration Costs			
<u>Minerales EL Prado S.A. de C.V.</u>			
<u>La Cecilia</u>			
Assays	7,725	3,981	3,744
Geological Consulting and Labour	5,228		5,228
Camp and Supplies	1,982	1,982	
Travel and Accommodation	629	135	494
	\$ 15,564	\$ 6,098	\$ 9,466
<u>Cucaracha Dorada</u>			
Assays	5,230	-	5,230
Geological Consulting and Labour	40,990	-	40,990
Camp and Supplies	35,848	35	35,813
Travel and Accommodation	14,262	1,337	12,925
	\$ 96,330	\$ 1,372	\$ 94,958
<u>La Gitana</u>			
Assays	368,763	41,963	326,800
Drilling	1,134,881	269,660	865,221
Geological Consulting and Labour	855,911	174,250	681,661
Helicopter rental	565,036	-	565,036
Camp and Supplies	637,616	62,761	574,855
Travel and Accommodation	216,818	21,206	195,612
	\$ 3,779,025	\$ 569,840	\$ 3,209,185
<u>La Calavera</u>			
Assays	2,248	2,248	
Geological Consulting and Labour	115,969	38,062	77,907
Camp and Supplies	54,385	9,453	44,932
Travel and Accommodation	27,612	7,078	20,534
	\$ 200,214	\$ 56,841	\$ 143,373
<u>El Tecomate</u>			
Assays	18,924	18,924	-
Geological consulting	46,577	46,577	-
Camp and Supplies	3,134	3,134	
Travel and accomodation	5,280	5,280	-
	\$ 73,915	\$ 73,915	\$ 3,456,982

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NOTE 5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

	Balance Sep-30 2006	Additions During the Nine Month Period Ended Sep-30 2006	Balance December 31, 2005
Deferred Exploration Costs			
<u>Mexico Regional</u>			
Assays	171,212	83,290	87,922
Geological Consulting and Labour	896,403	298,132	598,271
Camp and Supplies	258,520	48,173	210,357
Travel and Accommodation	287,125	72,049	215,076
	\$ 1,613,260	\$ 501,634	\$ 1,111,626
<u>Total Minerales EL Prado S.A.de C.V.</u>	\$ 3,337,357	\$ 1,006,363	\$ 4,568,608
<u>Nica Gold S.A.</u>			
Assay	11,897	0	11,897
Geological Consulting and Labour	78,082	1,338	76,744
Camp and Supplies	110,837	3,095	107,742
Travel and Accommodation	25,343	1,212	24,131
Subtotal	\$ 226,159	\$ 5,645	\$ 220,514
Total Deferred Exploration Costs	\$ 6,004,467	\$ 1,215,345	\$ 4,789,122
Total Acquisition Costs and Deferred Exploration Costs	\$ 7,014,177	\$ 1,617,746	\$ 5,678,931

NOTE 6. CAPITAL STOCK

a) Issued and outstanding:

	2,006		2,005	
	Shares	\$	Shares	\$
Balance, December 31, 2005 and December 31, 2004	19,752,795	\$ 33,191,960	17,898,425	\$ 27,808,981
Issued (cancelled) during the period				
Option exercised	-	-	921,700	1,391,550
Shares issued for mineral properties			30,000	123,000
Warrants exercised			887,670	1,775,340
Stock-based compensation on options exercised	-	-	-	3,187,971
Balance, September 30, 2006 and September 30, 2005	19,752,795	\$ 33,191,960	19,737,795	\$ 34,286,842

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NOTE 6. CAPITAL STOCK (cont'd)

- b) There are 375,000 common shares in escrow as at September 30, 2006 subject to release upon approval of regulatory authorities.
- c) The Company has a stock option plan which provides for equity participation in the Company by its directors, officers, employees, consultants and consultant companies through the acquisition of shares pursuant to the grant of options to purchase common shares. The option plan is administered by the Board of Directors. Options may be granted to purchase shares on such terms as the Board may determine within the limitations of the option plan and subject to the rules of applicable regulatory authorities. The maximum aggregate number of shares reserved for issuance for options granted under the option plan is 3,348,000 common shares.

The exercise price for options may not be less than the market price of the shares on the day immediately preceding the date of the grant of the option. In December 2003, the Company granted options to directors, officers and employees to acquire 1,150,000 common shares at a price of \$3.30 per share for a term of 5 years, expiring December 12, 2008. These options are subject to vesting over 4 years with 25% of the options granted vesting on each anniversary of the date of the grant.

The following director and employee stock options are outstanding at September 30, 2006

Number of Shares	Price Per Share	Maturity Date
43,300	\$1.50	February 18, 2007
1,125,000	\$3.30	December 12, 2008
<u>1,168,300</u>		

- d) The Company has reserved shares for the following potential issuances:

Stock Option Plan - not granted	1,138,000
Stock Option Plan - granted	1,168,300
	<u>2,306,300</u>
<hr/>	
TOTAL	<u>2,306,300</u>

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NOTE 6. CAPITAL STOCK (cont'd)

e) Stock-Based Compensation

See significant accounting policy Note 2(f). Stock options outstanding at September 30, 2006:

Options Outstanding			
Number	Weighted-	Exercise	Number
Outstanding at	Average	Price	Exercisable at
Sep-30	Contractual	(Expressed	Sep-30
2006	Life (years)	in CDN\$)	2006
43,300	0.89	\$1.50	43,300
1,125,000	2.70	\$3.30	1,125,000
1,168,300	1.20	\$1.60	1,168,300

The fair value of these options was determined using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following assumptions:

Options not yet forfeited	2,065,000
Options granted during year ended 2004	0
Expected forfeited per year	0
Stock price	5.8
Risk free interest rate	4.50%
Expected volatility	36%
Expected dividend yield	\$0

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical volatility rates of the Company to arrive at an estimate of expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore do not necessarily provide a reliable measure of the fair value of the Company's stock options.

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NOTE 7. RELATED PARTY TRANSACTIONS

- a) A private company controlled by P. Randy Reifel, President and Director and shareholder of Chesapeake, provides management services to the Company at the contract rate of \$175,000 per year, and \$131,250 is recorded for the nine months ended September 30, 2006 and 2005, respectively. The company also leases office space facilities from the same company at the rate of \$2,000 per month.

NOTE 8. FINANCIAL INSTRUMENTS

- (a) For cash and short term investments, accounts receivable, marketable securities, and accounts payable and accrued liabilities, the carrying amounts of these financial instruments approximates their fair value due to their short term maturity or capacity of prompt liquidation.
- (b) Foreign exchange risk
The Company incurs certain of its expenses and holds certain assets 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.

NOTE 9. MARKETABLE SECURITIES

The Company owns 650,000 common shares of VRB Power Systems Inc. ("VRB"), 500,000 common shares of New World Resources Corp. ("New World" formerly known as Dasher Exploration Ltd.) and 400,000 common shares of Christopher James Gold Corp. which are recorded at a total cost of \$110,000, \$275,000 and \$226,000, respectively. The market value of the VRB, New World and Christopher James shares at September 30, 2006 is \$0.72, \$1.39 and \$0.55 per share, respectively, for a total of \$1,383,000.

NOTE 10. INCOME TAXES

Income tax expense of \$42,839 is recorded for the nine month period ended September 30, 2006 resulting in total income taxes payable of \$241,348 at September 30, 2006.

NOTE 11. ASSET RETIREMENT OBLIGATIONS

At the present time, the Company has concluded that there are no asset retirement obligations associated with the mineral properties in subsidiaries.

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NOTE 12. SUBSEQUENT EVENTS

- a) On October 30, 2006 the Company and American Gold concluded a definitive arrangement agreement under which American Gold will become a wholly-owned subsidiary of Chesapeake. Under the agreement, Chesapeake will issue for every (1) outstanding share of American Gold (i) 0.29 Chesapeake common shares ("Shares"), (ii) 0.145 Chesapeake common share purchase warrants ("Warrants") and (iii) 0.029 Chesapeake Series 1 Class A Shares ("Class A Shares"). American Gold has 30,855,525 common shares issued and outstanding which will result in the issue of 8,948,102 Shares, 4,474,051 Warrants and 894,810 Class A Shares.

Each Warrant shall entitle the holder to purchase one (1) Chesapeake common share at an exercise price of \$8.00 for a term of five (5) years.

Each Class A Share shall be convertible, for no additional consideration and for a period of five (5) years, into ten (10) Chesapeake common shares (such that American Gold shareholders will receive, in respect of each American Gold share held, the right to convert into 0.29 Chesapeake common shares) in the event that the average London PM fix closing trading price of gold is equal to or greater than US\$850 per ounce on such market during any 90 consecutive day period during the five year term. The five year term will be extended by one year if the trading price for gold has been at or above US\$850 per ounce on any day during the last six months of the five year term.

Both companies will continue to seek a listing for the Warrants and the Class A Shares. In the event a stock exchange listing is obtained for the Class A Shares, the conversion ratio for the Class A Shares will be reduced by the value equivalent to \$1.00 per Chesapeake share.

If the proposed transaction is completed, it is anticipated that Chesapeake will have a total of 28,685,897 shares issued and outstanding. Of these shares approximately 68.8% will be held by the existing Chesapeake shareholders and 31.2% will be held by the existing American Gold shareholders. In addition it is anticipated that the American Gold shareholders will hold Warrants to acquire approximately 4.5 million additional shares and Class A Shares entitling them to acquire a further approximately 9.1 million shares which if fully vested would represent approximately 53.4% of the then outstanding shares of the combined company.

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NOTE 12. SUBSEQUENT EVENT (cont'd)

The proposed transaction remains subject to the approval of American Gold shareholders and regulatory authorities and certain other conditions. A \$3.0 million break fee is payable by either company if it terminates the merger agreement to accept a superior proposal.

Complete details of the proposed transaction will be included in an information circular expected to be filed and sent to American Gold shareholders for a special meeting. A special meeting of American Gold shareholders is to be held on January 16, 2007 in order to vote on the transaction. Subsequent to approval at the shareholder meeting and receipt of regulatory and court approvals, the transaction is anticipated to close by the end of January.

- b) In November, 5,000 employee stock options were exercised for net proceeds for \$16,500.