Management's Discussion and Analysis

First Quarter Report – March 31, 2015

(Expressed in Canadian dollars, unless otherwise noted)

May29, 2015

For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com. Information is also available on the Company's website at www.chesapeakegold.com. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the period ended March 31, 2015 and the audited consolidated financial statements for the year ended December 31, 2014 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain Forward Looking Statements which are provided on Page 25.

OVERVIEW

Chesapeake Gold Corp. (the "Company") is a development stage company focusing on the discovery, acquisition and development of major gold-silver deposits in North and Central America. The Company trades on the TSX Venture Exchange under the symbol "CKG". The Company has its head office in Vancouver, B.C.

On April 8, 2015, the Company began trading on the OTCQX marketplace in the U.S. under the symbol CHPGF.

The Company's primary asset is the Metates gold-silver project ("Metates") located in Durango State, Mexico. The Metates project is one of the largest undeveloped gold and silver deposits in Mexico. A pre-feasibility study ("PFS") on Metates was completed and filed on SEDAR during the first quarter of 2013. The Company's focus in 2015 has been completing an updated PFS ("Updated PFS") based on a lower initial 30,000 tpd production rate versus the Phase I 60,000 tpd in the PFS.

The Company also has a portfolio of exploration properties in Mexico comprising 49,808hectares in the states of Durango, Sinaloa, Oaxaca and Veracruz. The Company owns approximately 74.75% of Gunpoint Exploration Ltd. ("Gunpoint") which owns the Talapoosa gold project in Nevada and two Mexican properties, La Gitana and La Cecilia.

HIGHLIGHTS – Q12015

- Cash and cash equivalent balance as at March 31, 2014 was $27.7 million.

- The Company continued to evaluate and engineer the initial throughput of 30,000 tpd vs the Phase I90,000 tpd in the PFS incorporating the recent test work and flexibility of the higher ore grades and lower strip ratio early in the mine life.

- During the three months ended March 31, 2015, the Company spent $1.3million on the Metates project conducting geotechnical reviews civil andengineering work in preparation of the Updated PFS.

- The Updated PFS is expected to be released during Q2 2015.

- On March 12, 2015, Gunpoint closed a transaction with Timberline Resources Corporation ("Timberline"), granting Timberline an option (the "Option") to acquire from Gunpoint's subsidiary, American Gold Capital US Inc. ("American Gold"), a 100% interest in the Talapoosa gold project located in Nevada. In consideration for the Option, Timberline has paid US$100,000and issued 2.0 million shares of common stock of Timberline to American Gold. As a result of this transaction, American Gold owns 16.7% of the

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outstanding shares issued in Timberline. The Timberline shares are subject to staged vesting over 24 months from closing.

- Regional exploration identified additional promisingpolymetallic prospects near the Ranchito plant site which could provide potential synergies with the development of Metates.

METATES (Durango State, Mexico)

Overview

Metates is one of the largest, undeveloped disseminated gold and silver deposits in Mexico. The property is comprised of fourteen mineral concessions totaling 14,727 hectares. The Metates deposit is hosted by Mesozoic sedimentary rocks that have been intruded by a quartz latite body up to 300 meters thick and 1,500 meters long. Mineralization occurs in two zones: the Main Zone which is centered around the intrusive and the North Zone, within the sediments including conglomerate, sandstone and shale. The gold-silver mineralization occurs as sulphide veinlets and disseminations in both the intrusive and sedimentary host rocks.

The following table represents the year to date and project to date exploration expenditures on Metates:

(tabled amounts are expressed in thousands of CAD dollars)	**Three months ended March 31, 2015**	**Year ended December 31, 2014 (12 months)**	**Project to date**
Acquisition from American Gold in 2006	-	-	20,213.3
Concession	47.6	95.4	634.8
Assay	10.6	89.4	1,353.6
Camp & Supplies	14.3	317.3	3,566.2
Drilling	-	6.2	5,982.5
Environmental	-	7.1	52.8
Geological and engineering	1,225.8	3,021.9	23,560.7
Travel & other	6.8	57.3	1,060.6
Total additions	1,305.1	3,594.6	56,424.5

Updated Pre-Feasibility Study

The Updated PFS, currently in progress, is based on a lower initial ore throughput rate of 30,000 tpd ("Phase 1") with a staged expansion up to 90,000 tpd ("Phase 2") to be funded primarily from internal cash flow. The Company believes this scalable approach will provide the most attractive combination of lower initial capital costs while maintaining key operating efficiencies. Phase 1 production will operate for the first four years of the mine life with Phase 2 production starting in year five. Active pit mining is planned for a total of 27 years followed by 10 years of processing the stockpiled low grade ore. Chesapeake is critically aware of the need to ensure a cost effective and reliable long term water source especially given Metates long mine life.

The Mexican national water agency (Conagua) recently published the payment schedule for consumptive water use for both surface and ground water (retro-active) for the 2015 calendar year. The new cost schedule has increased the water rates used in the PFS by nearly 100%.As an alternative to conventional water sources, the Company is evaluating the use of desalinated sea water as a long term water source. Recent advances in desalination technology and low cost electricity from natural gas fired power plants in western Mexico provides an opportunity to realize savings in both capital and operating costs in the Updated PFS. The close proximity to the Pacific coast and to key existing civil infrastructure provides a strategic advantage for the desalination option. Several desalination plants already operate in Mexico. Chesapeake would outsource the construction and operation of a desalination plant and plans to integrate this option into the water supply network.

A revised mine plan and analysis has optimized the mining of high value ore with a low sulfur content thatrequiresone autoclave and related ancillary equipment to process the majority of Phase 1 ore production. The single autoclave will result in a capital reduction versus the two autoclaves required with the earlier mine schedule. Incorporating the single autoclave option into the Updated PFS has caused a delay in re-configuring the plant layout and modification to the capital cost estimates.

The Metates mine access road is a major component of the initial capital cost. Ongoing work and surveys to optimize the road alignment have reduced both the distance and the excavated material volumes leading to a lower construction cost.

Management expects the updated PFS to be released during Q2 2015.

Pre-Feasibility Study – March 2013

A PFS was prepared by M3 Engineering of Tucson (“M3”), Arizona and filed on SEDAR in March 2013. After a routine technical disclosure review conducted by the British Columbia Securities Commission, the Company subsequently filed an amended PFS on November 8, 2013. The project economics and the conclusions and recommendations in the amended report are the same and remain unchanged from those contained in the original PFS.

Highlights of the PFS are summarized below:

- Proven and probable mineral reserves of 18.5 million ounces gold, 526 million ounces silver and 4.2 billion pounds of zinc
- Average annual production for year 2 through 7 of 845,000 ounces gold, 25.1 million ounces silver (1,309,000 ounce gold equivalent*) and 190 million pounds zinc, at an average gold equivalent cash cost of $355 USD per ounce, net of zinc credits
- 25 year mine life with average annual production of 659,000 ounces gold, 15.9 million ounces silver (954,000 ounces gold equivalent*) and 143 million pounds zinc, with an average life of mine (“LOM”) gold equivalent cash cost of $493 per ounce, net of zinc credits.
- Average annual net operating income of $1.3 billion in operating years 2 through 7 with cumulative LOM pre-tax net operating income of $20.3 billion.
- Initial capital cost of $4.36 billion including $631 million in contingency costs and excluding sustaining capital cost of $584 million
- At base case metal prices**, pre-tax capital payback of 4.1 years and 4.9 years after-tax
- Net present value (“NPV”) pre-tax of 4.1 billion at an 8% discount rate generating an IRR of 21.1%, and after-tax NPV of $2.5 billion and 16.6% IRR

*Gold equivalent ounces are defined as gold ounces plus silver ounces/54.0 on base case metal prices
** Gold - US$1350/oz, Silver - US$25/oz and Zinc – US$1/lb

Mineral Reserves

The PFS uses as a basis the updated mineral resource estimate prepared by Independent Mining Consultants of Tucson, Arizona (“IMC”) that was reported in February 2012. The open pit mineral reserves were estimated within a detailed engineered pit design by using the measured and indicated resources only.

IMC developed an ore mining schedule which employed an elevated cut-off strategy in early years (year 2-7) which shortened the capital payback period and improved overall project economics. The above cut-off but lower than mill feed grade ore mined in the earlier years is placed in a low grade ore stockpile which is processed during the last six years of the mine life (year 20-25). The production schedule optimized mining both the intrusive and sediment hosted ore rock types based on crusher throughput so that the annualized feed rates to be processed ranged from 109,000 tpd to 138,000 tons per daytpd after a two mine ramp up to full production. The table below presents the mineral reserves for the Metates project based on the mine and plant production schedules. Measured and indicated mineral resources in the production schedule are converted to proven and probable mineral reserves, respectively. The low grade stockpile is classified as probable mineral reserve regardless of the original classification of the in-situ resource. The mineral reserve amounts to 1.15 billion ore tonnes at 0.50 grams per ton ("g/t") gold, 14.2 g/t silver, and 0.17% zinc (including the low grade stockpile). Contained metal amount to 18.5 million ounces of gold, 526 million ounces of silver and 4.2 billion pounds of zinc.

Metates Mineral Reserve								
Reserve Class	**Ktonnes**	**AuEq* (g/t)**	**Gold (g/t)**	**Gold (Koz)**	**Silver (g/t)**	**Silver (Koz)**	**Zinc (%)**	**Zinc (M lbs)**
Proven Mineral Reserve								
Mill Ore	270,291	0.99	0.68	5,883	18.0	156,423	0.17	1,037
Probable Mineral Reserve								
Mill Ore	574,242	0.78	0.54	9,878	14.3	264,015	0.15	1,886
Low Grade Stockpile	304,328	0.46	0.28	2,691	10.8	105,673	0.19	1,261
Total Probable Reserve	**878,570**	**0.67**	**0.45**	**12,568**	**13.1**	**369,688**	**0.16**	**3,148**
Proven/Probable Reserve								
Mill Ore	844,533	0.85	0.58	15,761	15.5	420,438	0.16	2,923
Low Grade Stockpile	304,328	0.46	0.28	2,691	10.8	105,673	0.19	1,261
Total Proven/Probable	**1,148,861**	**0.74**	**0.50**	**18,452**	**14.2**	**526,111**	**0.17**	**4,185**

**Gold equivalent grade is defined as gold (g/t) plus silver (g/t)/58.4. Overall metal recoveries are 89% gold, 76% silver and 85% zinc. Contained resources may not add due to rounding.*

The PFS contemplates a conventional truck and shovel open pit mining operation with a nominal 120,000 tpd throughput. The key operating metrics of processed grades, tonnes mined and metal production are as follows:

Operating Metrics				
Operating Period	**Years 2-7**	**Years 1-19 Active Mining**	**Years 20-25 Stockpile**	**Years 1-25 Life of Mine**
Material Mined				
Total Ore Mined From Pit (Mtonnes)	454	1,149	0	1,149
Ore To Process (Mtonnes)	259	845	304	1,149
Low Grade Ore To Stockpile (Mtonnes)	195	304	0	304
Waste Rock (Mtonnes)	371	1,158	0	1,158
Strip Ratio (1)	0.82	1.00	0.00	1.00
Average Milling Rate (Ktonnes/year)	43,204	45,181	48,404	45,954
Average Milled Grades				
Gold (g/t)	0.68	0.58	0.28	0.50
Silver (g/t)	23.8	15.5	10.8	14.2
Gold Equivalent (g/t)	1.12	0.87	0.48	0.74
Zinc %	0.25	0.16	0.19	0.17
Cumulative Metal Production (2)				
Gold (oz.) (000) (Doré)	5,068	14,080	2,395	16,475
Silver (oz.) (000) (Doré)	150,539	317,384	80,319	397,703
Gold Equivalent (oz.) (000) (3)	7,856	19,958	3,882	23,840
Zinc (million lbs.)	1,051	2,275	1,075	3,350
Average Annual Production				
Gold (oz.) (000)	845	741	399	659

Silver (oz.) (000)	25,090	16,695	13,387	15,908
Gold Equivalent (oz.) (000)	1,309	1,050	645	954
Zinc (million lbs.)	175.1	131.9	179.2	143.3
Cash Cost ($/Au Eq Oz). Net of Zn/Cu	**355**	**482**	**524**	**493**

(1) Strip Ratio based on total ore tonnes mined to waste tonnes mined

(2) Overall metal recoveries are 89% Gold, 76% Silver and 85% Zinc

(3) Gold Equivalent based on Base Case metal price assumptions (Gold=$1,350/oz. Silver=$25/oz.) Gold Eq-Gold + Silver/54

Capital Costs and Project Economics

Total initial capital costs (including contingency) are estimated at $4.36 billion which represents both the direct and indirect material costs for the development of Metates. The capital investment reflects outsourcing the dedicated oxygen plant and gas electric power plant.

The average life of mine operating costs, including mining, processing and G&A are estimated at $13.59 USD per tonne or $493 per ounce net of by-product revenue from zinc and copper production.

The financial results were developed for three different metal prices assumptions (base case, low case and high case); these assumptions were provided to M3 by Chesapeake.

The financial analysis for the base case indicates a pre-tax NPV of $4.10 billion at a 8% discount rate, a 21.1% IRR and a payback of 4.1 years. On an after-tax basis at 8% discount rate, the NPV is $2.50 billion USD with an 16.6% IRR and a payback of 4.9 years. The financial results are presented in table below:

Financial Results Summary			
Metal Price Assumptions	**Base Case**	**Low Case**	**High Case**
Gold ($/oz.)	$1,350.00	$1,200.00	$1,500.00
Silver ($/oz.)	$25.00	$22.22	$27.78
Zinc ($/lb.)	$1.00	$1.00	$1.00
Copper ($/lb.)	$3.00	$3.00	$3.00
Pre-Tax Economic Indicators			
NPV @ 5% ($000)	$6,684,234	$4,839,127	$8,529,340
NPV @ 8% ($000)	$4,081,428	$2,763,696	$5,399,160
IRR %	21.1	17.3	24.5
Payback (yrs)	4.1	4.7	3.6
After-Tax Economic Indicators			
NPV @ 5% ($000)	$4,458,983	$3,072,553	$5,840,683
NPV @ 8% ($000)	$2,503,940	$1,505,396	$3,498,342
IRR %	16.6	13.4	19.6
Payback (yrs)	4.9	5.8	4.3
Pre-Tax Cumulative Net Operating Income			
Total - All Metals Years 2-7 ($000)	$7,731,313	$6,555,509	$8,907,117
Total - All Metals Life of Mine ($000)	**$20,180,575**	**$16,612,569**	**$23,748,580**

Chesapeake is currently evaluating the opportunity to target mining at lower initial throughput of 30,000 tpd versus the Phase I 60,000 tpd case in the PFS. Currently, M3 and other leading international consultants are conducting geotechnical studies and civil engineering work that will facilitate sequential, scalable expansion for the 30,000 tpd case over the mine life.

Management believes the investigations and test work underway will further de-risk and add significant value to the Metates project. Metates is one of the few world-class, undeveloped precious metal deposits not controlled by a major mining company in a favourable geo-political jurisdiction.

Metates Regional Exploration

The Company has an ongoing program of systematic regional exploration focused within a 100 kilometer radius of the proposed Metates Ranchito plant site near Cosala in Sinaloa State, Mexico. Geological reconnaissance and results from mapping, rock chip channel sampling and geophysical surveys have identified three distinct areas with potential to host district scale mineralization. Recent work has focused on the Ranchito area which in Q1 returned promising gold-silver-zinc-lead values from channel samples in the known zones as well as newly discovered zone in the district. The Company plans to commence a geophysics program in late Q2 to delineate blind targets covered by younger rocks or hosted in deeper levels of the skarn system.

Chesapeake believes this highly prospective corridor that parallels the Pacific coast and lies along the western margin of the Sierra Madre Occidental,could host numerous untested gold-silver-polymetallic deposits. Excellent infrastructure exists in the region with all three projects located within 50 kilometers of paved highways, power grid and a natural gas pipeline currently under construction. In addition, three operating process plants are located within trucking distance which would reduce the capital and permitting time to place a greenfield discovery into production. Chesapeake believes this under-explored region could generate an organic pipeline of high value projects with potential synergies associated with the future development of Metates.

Ranchito Area

The Ranchito area located near the proposed Ranchito processing site covers more than 100 square kilometers. The Ranchito area hosts widespread, near surface skarn-hosted mineralization along 20 kilometers of contact between a thick sequence of limestone and multiphase intrusive rocks. In addition, there are several distal mineralized zones within limestone and marble as well as quartz tourmaline breccias within intrusive rocks. The magnetite skarn outcrops were used as a signature for a ground magnetic survey. The survey identified multiple anomalies over covered areas which could lead to the discovery of blind deposits.

La Ventana Area

The La Ventana area is located about 50 kilometers northwest of Ranchito. This region contains several square kilometers of argillically altered and esites hosting epithermal quartz veins. The La Ventana system is an east-west trending swarm of at least five subparallel quartz veins and associated stock work that have been traced for 1.5 kilometers along strike and 100 meters in vertical extent.

Jacky Area

The Jacky area is located about 40 kilometers to the southeast of Ranchito and covers a structural corridor 10 kilometers long by 2 kilometers wide. Epithermal gold-silver mineralization is associated with east west trending quartz breccia and stock works. Several large areas of strong argillic alteration and silicification are peripheral to the quartz structures within the corridor. One quartz structure has been sampled over 1.2 kilometers in length, up to 25 meters in width and 300 meters vertically.

OTHER EXPLORATION PROJECTS

TALAPOOSA (Nevada, USA)

On November 26, 2010, Gunpoint acquired from Chesapeake a 100% interest in the Talapoosa gold project (“Talapoosa”) located in Lyon County, Nevada.

Talapoosa is a low-sulphidation gold/silver property in the Walker Lane gold trend of western Nevada, approximately 45 kilometers east of Reno. The property consists of 535 unpatented lode mining claims and seven additional fee land sections which cover 10,780 hectares. Since 1977, eight mining companies have drilled 564 drill holes for 71,000 meters along with environmental and metallurgical work. By the late 1980s, four zones of mineralization had been identified – Main Zone, Bear Creek Zone, Dyke Adit, and East Hill.

The Talapoosa project has a NI 43-101 compliant resource estimate (September 2010) hosting a measured and indicated resource of 632,000 ounces of gold (23.1 million tons at a grade of 0.035 oz/t AuEq) and an inferred resource of 326,000 ounces of gold (12.6 million tons at a grade of 0.033 oz/t AuEq) using a cut-off of 0.015 oz/t gold equivalent.

During 2011 Gunpoint completed 15 core holes totaling 3,251 meters at Talapoosa. With the 2011 drill data, Gunpoint re-modeled and re-interpreted the resource with independent consultants. In 2013, Tetra Tech WEI Inc. (“Tetra Tech”) provided an updated NI 43-101 resource estimate adding approximately 380,000 ounces of gold and 5.4 million ounces of silver compared to the previous NI 43-101 resource estimate. Set out in the table below is the updated Measured and Indicated Resource Estimate by Tetra Tech:

Cutoff Au g/t	Ore Type	Category	Tonnes	Grade Au g/t	Grade Ag g/t	Contained gold (ounces)	Contained silver (ounces)
0.45	Oxide	Measured	2,835,890	1.29	18,96	117,253	1,728,323
0.45	Sulphide	Measured	12,741,180	1.22	16.50	501,215	6,760,763
0.45	Oxide	Indicated	1,280,900	1.10	14.25	45,328	586,999
0.45	Sulphide	Indicated	11,504,500	0.94	12.36	349,005	4,573,274
0.45	Oxide	Total M&I	4,116,870	1.23	17.49	162,581	2,315,321
0.45	Sulphide	Total M&I	24,245,860	1.09	14.54	850,220	11,334,037
0.45	**Oxide + Sulphide**	**Total M&I**	**28,362,500**	**1.11**	**14.97**	**1,012,802**	**13,649,358**
0..45	Oxide - Sulphide	Inferred	10,159,000	0.72	6.65	233,532	2,172,766

(1) Prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum classification system
(2) The 2013 resource model used ordinary kriging (OK) grade estimate within a three-dimensional block model with mineralized zone defined by wireframed solids
(3) Resource estimate was completed in imperial units with the following conversions:
- *1 gram/tonne = 0.0291667 troy oz/short ton*
- *1tonnes = 1.10231 short ton*

(4) A base cutoff grade of 0.45 g/t Au was used for reporting resources
(5) Capping was implemented for gold grades at 23.52 g/t and silver grades at 329.14 g/t

During the three months ended March 31, 2015, the Company closed a transaction with Timberline Resources Corporation (“Timberline”), granting Timberline an option (the “Option”) to acquire from Gunpoint’s subsidiary, American Gold Capital US Inc. (“American Gold”), a 100% interest in the Talapoosa gold project located in Nevada. In consideration for the Option, Timberline has agreed to pay US$300,000 and issue 2.0 million shares of common stockof Timberline to American Gold over 24 months per the vesting schedule below:

Vesting date (date initial securities are released from escrow)	Timberline Common Shares (‘000)
September 12, 2015	500
March 12, 2016	500
September 12, 2016	500
March 12, 2017	500
	2,000

Timberline has paid US$100,000 and will pay an additional US$200,000 to American Gold by October 1, 2015. As a result of this transaction, American Gold owns 16.7% of the outstanding shares issued in Timberline.

Timberline has within 30 months from March 12, 2015 to exercise the Option to acquire a 100% interest in Talapoosa. Timberline can exercise the Option by making a US$10.0 million cash payment to American Gold. For a period of five years after Timberline exercises the Option, Timberline would be required to pay American Gold an additional US$10.0 million (payable in cash and Timberline common shares) if the daily price of gold averages

US$1,600 per ounce or greater for a period of ninety consecutive trading days. Timberline plans to complete a feasibility study on Talapoosa during the option period. American Gold retains a 1% net smelter royalty on Talapoosa which Timberline can purchase for US$3.0 million.

On April 27, 2015 Timberline completed a PEA on Talapoosa indicating strong project economics at conservative metal prices. At a 5% discount rate, the PEA indicated an after-tax NPV of US$136 million and 39% IRR at US$1,150/oz gold and US$16/oz silver.

LA CECILIA (Sonora State, Mexico)

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

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

TATATILA (Veracruz State, Mexico)

In 2007, the Company acquired through purchase and staking the Tatatila project, a precious metal and polymetallic mining district in Veracruz State. Chesapeake acquired seven concessions of a National Mineral Reserve totaling 2,767 hectares in staged payments totaling US$56,000 from the CRM, a mining division of the Mexican government. The Company also staked one concession comprising 25,602 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.

In July 2010 Quimicos Minerales de Mexico S.A. de C.V., a private Mexican company, ("Quimcos") agreed to acquire Tatatila for US$300,000 in staged payments over four years. The Company has received the 2010, 2011 and 2012 payments totalling US$145,000 towards the purchase price. The Company retains a 1% NSR in the Tatatila project. As at December 31, 2014, Quimcos elected not to proceed with the agreement.

LA GITANA (Oaxaca State, Mexico)

La Gitana is a large low sulphidation epithermal system hosting precious metals mineralization that is both structurally and lithologically controlled. During 2005 and 2006, the Company 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 NI 43-101 compliant technical report on the La Gitana Project concluded that the exploration program undertaken by the Company 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. La Gitana is held by Gunpoint.

REGIONAL PROPERTIES (Mexico)

The Company continues to explore for additional gold and silver prospects in western Mexico. At any given time, several targets may be under consideration for possible acquisition through staking or entering into third party option to purchase agreements.

Generative exploration targeting bulk tonnage, near surface gold and silver mineralization proximate to the Metates and Ranchito sites remains an important focus. Among several regional prospects under evaluation, the Nicole project located near Metates, has been advanced to the drill stage. As part of the Nicole project, the Company acquired two concessions from Firesteel Resources Ltd. in 2013 for the total price of US$125,000. Firesteel retains 2.5% NSR of which the Company has the option to purchase 60% or 1.5% NSR for US$1,000,000.

EL ESCORPION (Guatemala)

The Company has an option to purchase the El Escorpion property ("Escorpion"), a 900 hectare concession in eastern Guatemala. To earn a 100% interest, the option payments total US$351,000 over 5 years. A 1% NSR can be purchased for US$585,000. Mapping and sampling by Chesapeake has identified two prospective areas with intermediate sulfidation epithermal precious and base metal mineralization.

The Escorpion property is located 85 kilometers by paved road southeast of Guatemala City. Escorpion is situated 7 kilometers southwest and along trend of Tahoe Resources Inc.'s Escobalmine which has a NI 43-101 compliant indicated mineral resource of 367 million ounces of silver grading 422 g/t, plus 37 million ounces of silver grading 254 g/t in the inferred category. Mineralization at Escobal is associated with steeply dipping and northeast-southwest trending intermediate sulfidation epithermal silver rich quartz veins with significant values in gold, lead and zinc. The Escobal land package completely surrounds the Escorpion project.

The outcropping mineralization at Escorpion appears to have many similarities to that at Escobal and occurs in a fault controlled, intermediate sulfidation epithermal system characterized by several multistage, subparallel silver-lead-zinc quartz-carbonate veins and stockworks. To date, the northeast-southwest trending system has been traced is continuously for over 1500 meters along strike and remains open to the northeast and southwest. The system is characterized by carbonate-minor quartz vein swarms in the southwest (Mina Blanca zone) and quartz stockworks and quartz veins in the northeast part of the concession (Escorpion –Los Pozos zones). The epithermal system is hosted in volcaniclastic sediments, porphyritic andesites and rhyodacitic rocks, the same rock types which host mineralization at Escobal.

On June 14, 2013, the Company concluded an agreement in respect of the Escorpion project with Gunpoint, whereby Gunpoint acquired a 100% interest in the Company's Escorpion project by issuing and granting the following to Chesapeake.

- 500,000 common shares of Gunpoint
- 500,000 warrants exercisable at $1.50 per share for a term of five years
- A 1.5% NSR royalty in the event Chesapeake purchases the existing 1.0% NSR
- 1.0 million common shares of Gunpoint in the event a NI 43-101 measured and indicated resource estimate of 1.0 million gold equivalent ounces is achieved on the Escorpion property.

SUMMARY OF CONSOLIDATED CONDENSED INTERIMLOSS

(tabled amounts are expressed in thousands of CAD dollars)	**Three months ended March 31, 2015**	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
Depreciation	(15.0)	(23.6)	(25.0)
Exploration	(255.4)	(215.0)	(195.4)
General & administration (1)	(474.0)	(556.0)	(565.0)
Share based compensation	(716.2)	(341.7)	(735.7)
	(1,460.6)	(1,136.3)	(1,521.1)
Finance (cost) income, net	96.0	125.2	173.3
Foreign exchange loss	500.7	(74.2)	(17.1)
Gain from sale of available for sales investment	-	69.6	-
Impairment on investment	-	-	(10.9)
Other expense	-	(6.3)	(7.2)
Net loss before tax	(863.9)	(1,022.0)	(1,383.0)
Income tax provision	-	-	-
Net loss after tax	(863.9)	(1,022.0)	(1,383.0)
Other comprehensive loss	543.3	(90.6)	(516.3)
Net loss and comprehensive loss	(320.6)	(1,112.6)	(1,899.3)
Basic/Diluted loss per share	(0.02)	(0.02)	(0.03)

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees

The Company incurred a net loss after tax of $0.9million ($0.02loss per share) for the quarter ended March 31, 2015 compared to a loss of $1.0 million ($0.02 loss per share) in the same period in 2014. The $0.1 million lower loss was primarily due to a decrease of $0.1 million in general and administration, as the Company is conserving its cash until market conditions improve. A gain of $0.5 million in foreign exchange was realized due to the strengthening of the US dollar exchange rate during the period. The higher income are netted by an increase in non-cash stock based compensation expense as the Company issued additional options during Q3 2014.

Other comprehensive loss fluctuated over the fiscal periods. This was mainly due to the volatility of the stock market from international economic environment and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

Consolidated quarterly loss – 8 quarters historic trend

(tabled amounts are expressed in thousands of CAD dollars)	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**
Amortization	(15)	(8.3)	(16.5)	(22.4)	(23.6)	(23.3)	(23.1)	(23.9)
Exploration	(255.4)	(278.9)	(122.8)	(91.7)	(215.0)	(150.8)	(231.9)	(168.3)
General & administration (1)	(474.0)	(576.0)	(341.9)	(527.4)	(556.0)	(781.5)	(516.6)	(673.9)
Share-based compensation	(716.2)	(874.6)	(545.9)	(277.9)	(341.7)	(483.6)	(486.6)	(516.2)
	(1,460.6)	(1,737.8)	(1,027.1)	(919.4)	(1,136.3)	(1,439.2)	(1,258.2)	(1,382.3)
Finance (cost) income, net	96.0	101.3	108.5	104.2	125.2	177.8	212.0	64.7
Foreign exchange (loss) gain	500.7	314.7	79.8	(125.5)	(74.2)	(9.7)	(53.6)	(7.7)
Gain (loss) on sales of available for sales investments	-	(0.6)	-	-	69.6	-	-	-
Impairment of marketable securities	-	(102.5)	-	-	-	(27.7)	(99.5)	(23.3)
Impairment of mineral properties	-	(403.7)	-	-	-	(1,155.7)	-	-
Other expenses	-	18.3	18.9	(88.7)	(6.3)	(2.9)	(13.0)	(2.9)
Income taxes	-	-	-	-	-	(823.1)	-	-
Net loss	(863.9)	(1,810.3)	(819.9)	(1,029.4)	(1,022.0)	(3,280.5)	(1,112.8)	(1,351.5)
Other comprehensive (loss) income	543.3	(834.1)	59.4	84.6	(90.6)	430.6	290.3	(274.4)
Total comprehensive loss	(320.6)	(2,664.4)	(760.5)	(944.8)	(1,112.6)	(2,849.9)	(922.0)	(1,625.9)
Basic/Diluted loss per share	(0.02)	(0.06)	(0.02)	(0.02)	(0.02)	(0.06)	(0.03)	(0.03)
Total assets	98,908.1	98,480.7	99,493.1	99,636.4	100,266.2	101,953.1	102,033.9	102,501.2

(1) General and administration ("G&A") consists of general and administrative expenses, professional fees and management fees

Three months ended March 31, 2015 vs. prior quarters in 2014 and historic quarters in 2013

The Company incurred a net loss after tax of $0.9 million ($0.02loss per share) for the three months ended March 31, 2015. When compared with the prior quarters in fiscal 2014, the loss was consistent. When compared with prior quarters in fiscal 2013, the net loss in the current quarter was lower due to a decrease ingeneral and administration, as the Company is conserving its cash until market conditions improve. Again of $0.5 million in foreign exchange was realized due to thestrengthening of the US dollar exchange rate during the period help further reduce the loss. Thenon-cash stock based compensation expense increasedas the Company issued additional options in Q3 2014.

Other comprehensive loss fluctuated over the fiscal periods. This was mainly due to the volatility of the stock market from international economic environment and the IFRS non-cash adjustment related to the translation of measurement currency to reporting currency.

Total assets remained reasonably consistent in the past two fiscal years. Decrease was due to general corporate and exploration expenditure.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,		
(tabled amounts are expressed in thousands of CAD dollars)	**2015**	**2014**	**2013**
Cash outflows from operating activities	(664.7)	(1,513.6)	(879.2)
Cash inflows from financing activities	-	-	-
Cash outflows from investing activities	(1,147.5)	(313.6)	(935.9)
Net cash flows	(1,812.2)	(1,872.2)	(1,815.1)
Cash balance	27,683.1	33,097.1	39,001.0

(tabled amounts are expressed in thousands of CAD dollars)	**2015**	**2014**	**2013**
Opening balance – cash and cash equivalent	**28,992.0**	**35,005.4**	**40,800.3**
Gunpoint – convertible debt proceeds	-	-	-
Proceeds from sales of other investment	225.0	338.6	432.9
Investment income – cash received	116.3	136.0	191.5
Proceeds from disposal of mineral property	98.2	-	-
	-	-	-
Increase in accounts payable	15.0	-	-
General & administration and other overhead	(474.0)	(556.0)	(565.0)
General exploration expense	(255.4)	(215.0)	(195.4)
Capitalized Exploration Expense (e.g. Metates)	(1,470.7)	(652.2)	(1,349.6)
Increase in accounts receivables and prepaid expense	(46.3)	-	-
Settlement of margin payable	-	(22.2)	-
Settlement of accounts payable	-	(852.7)	(101.7)
Foreign exchange and other	483.0	(84.8)	(212.0)
Ending balance - cash and cash equivalent	**27,683.1**	**33,097.1**	**39,001.0**

As at March 31, 2015 the Company's net working capital was $28.2million, down from a net working capital of $29.5 million as at December 31, 2014. Cash and cash equivalents are primarily held in major Canadian chartered banks and Canadian government securities with short-term maturity dates. The $1.3 million decrease in working capital balance was principally fromexpenditures on engineering, geotechnical work, exploration and other operating activities, net of working capital adjustments.

Cash outflow from operating activities in the quarter ended March 31, 2015 was $0.6 million. The cash outflow was primarily attributable to general exploration ($0.2 million), corporate and consulting expenses ($0.5 million) in support of the updated pre-feasibility study being prepared for the Metates project.

During the quarter ended March 31, 2015, there were no financing activities.

During the quarter ended March 31, 2015, cash outflow from investing activities was higher than 2014 and reasonably consistent with 2013.Geotechnical and engineering work conducted at Metates projects attributed to the higher expenditures during the quarter.

Cash and cash equivalent balance as at March 31, 2015 is $27.7 million

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds. The Company has sufficient working capital to fund the planned development and corporate expenses through 2015 and 2016.

SHAREHOLDERS' EQUITY

As at the date of this report the Company had 44,416,366 shares and 3,598,000 share purchase options outstanding.

As at the date of this report, the Company has 375,000 shares in escrow.

The following is a summary of stock options outstanding as at March 31, 2015:

Number of options ('000s)	Number of options vested ('000s)		Exercise price	Expiry Date
2,643	-	$	3.30	29-Aug-24
810	645		9.10	11-May-15
955	270		10.75	05-Feb-17
4,408	915		5.98	

The following is a summary of stock options outstanding as at the date of this report:

Number of options ('000s)	Number of options vested ('000s)		Exercise price	Expiry Date
2,643	-	$	3.30	29-Aug-24
955	270		10.75	05-Feb-17
3,598	270		5.98	

REGULATORY DISCLOSURES

Off-Balance Sheet Arrangements

As at the date of this report, the Company had no off-balance sheet arrangements.

Related Party Transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The Company incurred the following expenses with related parties during the period ended March 31:

Amounts in '000s	2015	2014
Consulting	$ 81.6	$ 98.9
Legal	2.0	12.3
Management fees	62.5	62.5
Rental	6.0	6.0

Legal fees were paid or accrued to a legal firm of which one of the partners has been the Corporate Secretary of the Company during 2015 and 2014. Management and rental fees were paid or accrued to a Company owned by an officer of the Company. Consulting and travel and promotion fees were paid or accrued to a director of the Company. These expenses were measured at the exchange amounts agreed upon by the parties. As at March 31, 2015 the Company had amounts payable of $278,782 (December 31, 2014 - $161,700) to these parties. These amounts are unsecured and non-interest bearing.

Financial Instruments

The following provides a comparison of carrying and fair values of each classification of financial instrument:

Amounts in '000s	March31, 2015		December 31, 2014	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Fair value to profit and loss ("FVTPL")				
Cash and cash equivalents	27,683.1	27,683.1	28,992.0	28,992.0
Other receivables	771.1	771.1	431.6	431.6
Reclamation bond	209.6	209.6	195.4	195.4
Available-for-sale				
Marketable securities	3,839.2	3,839.2	2,475.0	2,475.0
Financial liabilities				
Other financial liabilities				
Accounts payable & accrued liabilities	1,685.5	1,685.5	1,669.3	1,669.3

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

The following table sets forth the Company's assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Amounts in '000s	Level 1	Level 2	Level 3	Total March 31, 2015
Cash and cash equivalents	$ 27,683.1	$ -	$ -	$ 27,683.1
Marketable securities	3,839.2	-	-	3,839.2

Amounts in '000s	Level 1	Level 2	Level 3	Total December 31, 2014
Cash and cash equivalents	$ 28,992.0	$ -	$ -	$ 28,992.0
Marketable securities	2,475.0	-	-	2,475.0

Significant Accounting Policies

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. (Mexico) and American Gold Capital Corporation (British Columbia). The accounts of American Gold Capital Corporation's wholly-owned subsidiaries, Metates Mining Enterprises LLC (Delaware) and its wholly-owned subsidiary American Gold Metates S. de R.L. de C.V. (Mexico) are also included in these consolidated financial statements. During 2010, the Company acquired an 81.93% interest in Gunpoint Exploration Ltd. (British Columbia) (formerly Christopher James Gold Corp.) (“Gunpoint”) in exchange for transferring all of its interest in American Gold Capital US Inc. (Nevada) (“American Gold US”) to Gunpoint. These consolidated financial statements include the accounts of American Gold US for 2010 and 2011. From March 26, 2010 onwards, they also include the accounts of Gunpoint as well as the recognition of an 18.07% non-controlling interest in Gunpoint and American Gold US. Subsequent to Gunpoint’s financing in October 2012, the revised non-controlling interest is 25.54%. All significant inter-company balances and transactions have been eliminated upon consolidation.

Special Purpose Entities (‘‘SPE’s’’) as defined in SIC 12 Consolidation – Special Purpose Entities are entities which are created to accomplish a narrow and well-defined objective. SPE’s are subject to consolidation when there is an indication that an entity controls the SPE. The Company has determined that its investment in Hunt Exploration S.A. (“Hunt”) is a SPE that the Company controls. The accounts of Hunt are consolidated with those of the Company.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with IFRS 3, Business Combinations. The cost of an acquisition is measured as the sum of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Non controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Corporation’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. The excess of (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the acquisition date fair value of net assets acquired, is recorded as goodwill. Acquisition costs incurred are expensed.

Goodwill arising on an acquisition is recognized as an asset and initially measured at cost. Goodwill is not amortized; rather it is tested annually for impairment or at any time during the year that an indicator of impairment is identified.

Cash and cash equivalents

Cash and cash equivalents include cash on account, highly liquid short term deposits and guaranteed investment certificates with major financial institutions, and fixed income securities with a term to maturity of three months or less at the date of acquisition that are readily convertible into known amounts of cash.

Reclamation bond

The Company maintains cash deposits that are restricted to the funding of reclamation costs. For the Talapoosa property in Nevada State, USA, the Company has placed cash on deposit to fund future reclamation costs anticipated under a reclamation plan approved by the State of Nevada. Reclamation deposits are designated as fair value through profit and loss, are recorded at fair value, and are classified as a non-current asset.

Comprehensive income or loss

Comprehensive income or loss is the change in equity (net assets) of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. In accordance with this standard, the Company reports comprehensive income or loss in its statement of operations and accumulated other comprehensive income or loss in its statement of changes in equity. The components of other comprehensive income or loss include unrealized gains and losses on financial assets classified as available-for-sale.

Foreign currency translation

The functional currency of the reporting entity and each of its foreign operations must be assessed independently giving consideration to the primary economic environment in which each operates. Management has determined that the functional currencies of Minerales el Prado, its Mexican subsidiary is the Mexican Peso as this is the currency of the primary economic environment in which the Company operates. The Company and its other subsidiaries have the Canadian Dollar as their functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Exploration and evaluation assets

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments are applied against exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

Equipment

Equipment is recorded at cost. Amortization is provided at annual rates on a declining balance basis over the estimated useful lives of the equipment as follows:

Asset	Rate
Office, furniture and computer	10%
Vehicles	25%
Exploration equipment	10%

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of operations.

Impairment

The Company reviews the carrying value of long-lived assets for impairment when circumstances indicate an asset's value may not be recoverable. The evaluation is based on the higher of the asset's fair value less costs to sell and its value in use, which is present value of future cash flows expected to be derived from the asset in its current state. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds its recoverable amount.

Decommissioning obligation

The Company recognizes statutory, contractual and other legal obligations related to the retirement of tangible long-lived assets. These obligations are initially measured at fair value and subsequently adjusted for the accretion of any discount and changes in the underlying future cash flows and discount rate. The asset retirement cost is capitalized to the related asset and amortized to operations over time.

The Company recognizes the fair value of the liability for a decommissioning obligation in the period in which it is incurred and record a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to retire the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties.

Share-based compensation

The Company's share option plan provides for the granting of stock options to directors, officers, consultants and employees, which allow them to purchase common shares of the Company. The fair value of all stock based awards is estimated using the Black Scholes option pricing model at the grant date and expensed to operations over each award's vesting period. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in the share based payment reserve is recorded as an increase in issued capital. In the event that the options expire or are cancelled, previously recognized compensation expense associated with such stock option is not reversed.

When the Company issues Units that are comprised of a combination of common shares and warrants, the value is assigned to common shares and warrants based on their relative fair values. The fair value of the on the warrants is estimated using the Black Sholes option pricing model at the issuance dates.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and other deductions carried forward.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a deferred tax asset is recorded against any deferred tax asset if it is probable that there will be future taxable income to offset. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

Recognition of interest income

Interest from cash and cash equivalents, fixed income marketable securities and Asset Backed Commercial Paper ("ABCP") is recorded on an accrual basis when collection is reasonably assured.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. As the Company has recorded a net loss for each of the periods presented, basic and diluted net loss per share are the same as the exercise of stock options or share purchase warrants are anti-dilutive.

Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

- Financial assets and liabilities classified as fair value through profit or loss are required to be measured at fair value, with gains and losses recognized in net earnings.
- Financial assets classified as held-to-maturity, loans and receivables and other liabilities are required to be measured at amortized cost using the effective interest method of amortization.
- Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income (loss).

The Company has implemented the following classification:

- Cash and cash equivalents and loans and other receivables are classified as fair value through profit or loss.
- Marketable securities, ABCP and reclamation bonds are classified as available-for-sale.

- Accounts payable and accrued liabilities, margin balance payable and convertible debt are classified as other financial liabilities.

Transaction costs related to financial instruments classified as fair value through profit or loss are recognized immediately into income. For financial instruments classified as other than fair value through profit or loss, transaction costs are added to the financial instrument.

Risk and uncertainties

The operations of the Company are speculative due to the nature of its business which is the investment in the exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The list of risk factors below should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its securities.

No History of Revenue

The Company's only source of income to date has been interest income earned on excess cash. There is no guarantee that the Company will enter into profitable agreements with mining companies and earn revenue from operations.

The Company is in the business of exploring for, with the ultimate goal of developing and producing, minerals from properties in which the Company has, or may have in the future, an interest. The Company has not commenced commercial production and the Company has no history or earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow. The Company has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. The Company has limited cash and other assets. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management in all aspects of the development and implementation of the Company's business activities.

Market Price of the Common Shares

The Common Shares are listed and posted for trading on the TSXV and OTCQX. The Company's business is in an early stage of exploration and an investment in the Company's securities is highly speculative. There can be no assurance that an active trading market in the Company's securities will be established and maintained. Securities of companies involved in the resource industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of the Common Shares is also likely to be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations as reflected in its quarterly earnings reports.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, mining and development opportunities in the resource industry. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

The Company may not realize the benefits of its growth projects

As part of its strategy, the Company will continue existing efforts and initiate new efforts to develop new mineral projects. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical, and technological risks, and uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Company's financial position and results of operations.

Current Global Financial Conditions

Events over the last number of years in global financial markets, including sovereign debt crises, have had a profound impact on the global economy and global financial conditions have been subject to volatility. Many industries, including the mining sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's business, financial condition, results of operations and ability to grow.

Financing Risk

The Company is limited in financial resources and has no assurance that additional funding will be available for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or infinite postponement of further exploration and development of its projects with the possible loss of such properties.

Competition

The mineral exploration and development industry is highly competitive. The Company competes with other domestic and international mineral exploration companies that have greater financial, human and technical resources. The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations that the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and gain significant market share to the Company's detriment. The Company may also encounter increasing competition from other mining companies in the Company's efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable properties or prospects for mineral exploration in the future. As a result of this competition, the Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its investment capital.

Risks related to International Activities

A materialportion of the business of the Company is located outside of North America, with assets in USA, Guatemala and Mexico. The Company’s international operations may be adversely affected by political or economic developments or social instability, which will not be within the Company’s control, including, among other things, the risks of political unrest, labour disputes and unrest, war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions, contracts and permits, government regulation, delays in obtaining or renewing or the inability to obtain or renew necessary permits, taxation policies, economic sanctions, fluctuating exchange rates, currency controls, high rates of inflation, limitations on foreign ownership and increased financing costs. The occurrence of any such events could have a material adverse effect on the Company's business and results of operations as currently contemplated.

It may also be difficult for the Company to find and hire qualified people in the mining industry who are situated in Guatemala, Mexico and the United States or to obtain all of the necessary services or expertise in Guatemala, Mexico or the United States or to conduct operations on the Company's projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Guatemala, Mexico or the United States, the Company may need to seek and obtain those services from people located outside of these areas, which will require work permits and compliance with applicable laws and could result in delays and higher costs to conduct the Company's operations.

Corruption and Bribery Risk

The Company's operations are governed by, and involve interactions with, many levels of government. Like most companies, the Company is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Corruption of Foreign Public Officials Act*. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its third party agents. Although the Company takes steps to mitigate such risks, such measures are not always effective in ensuring that the Company, its employees or third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of operations.

Risks Associated with Joint Venture Agreements

Pursuant to agreements the Company may enter into in the course of its business, the Company's interest in its properties may become subject to the risks normally associated with the conduct of joint ventures. In the event that any of the Company's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Reliance on Key Individuals

The Company's success depends on its ability to attract and retain the services of key personnel who are qualified and experienced. In particular, the success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Company's directors and senior management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of these individuals could have a material adverse effect on the Company.

The resource industry is largely driven by fluctuations in commodity prices which, when high, can lead to a large number of projects being developed which in turn increases the demand for skilled personnel, contractors, material and supplies. Accordingly, there is a risk to the Company of losing or being unable to secure enough suitable key personnel or key resources and, as a result, being exposed to increased capital and operating costs and delays, which may in turn adversely affect the development of the Company's projects, the results of operations and the Company's financial condition and prospectus.

Commodity Prices

The price of the Common Shares and the Company's financial results may be significantly adversely affected by a decline in the price of metals. The price of metal commodities fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metal-producing countries throughout the world.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. The Company anticipates that it will retain all earnings and other cash resources for the foreseeable future for the operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Any potential mining operations of the Company will be subject to all the hazards and risks normally encountered in the exploration, development and production of metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, fire, environmental hazards and the discharge of toxic chemicals, explosions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to property, injury or loss of life, environmental damage, work stoppages, delays in production, increased production costs and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. Although the Company believes that appropriate precautions to minimize risks are taken, these risks cannot be eliminated.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned or other mining operations in which the Company may acquire an interest will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including among other things: the interpretation of geological data obtained from drill holes and other sampling techniques, the particular attributes of the deposit, such as size, grade and proximity to infrastructure and labour; metal prices which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; and political stability. The Company's development projects are also subject to the issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may adversely affect the Company's business.

Exploration Costs

The estimates of costs to conduct further exploration work by the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company's viability.

Environmental Regulation, Risks and Hazards

All phases of mining operations are subject to environmental regulation in the jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with changing environmental laws and regulations may require significant capital outlays, including obtaining additional permits, and may cause material changes or delays in, or the cancellation of, the Company's exploration programs or current operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's mining operations.

Furthermore, environmental hazards may exist on the properties on which the owners or operators of mining operations hold interests which are unknown to such owners or operators at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be, required in connection with mining operations at the Company's properties. To the extent such approvals are required and not obtained, mining operations may be curtailed or prohibited from continuing operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The occurrence of any environmental violation or enforcement action may have an adverse impact on the Company's operations and reputation.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on mining operations and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Governmental Regulation

Mining operations and exploration activities are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupation health, handling, storage and transportation of hazardous substances and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating, and other facilities in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the owners or operators of mining operations would not proceed with the development of or continue to operate a mine. As part of their normal course operating, and development activities, such owners or operators have expended significant resources, both financial and managerial, to comply with governmental and environmental regulations and permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from mining operations could result in substantial costs and liabilities in the future.

Permitting

Mining operations are subject to receiving and maintaining permits from appropriate governmental authorities. It can be time-consuming and costly to obtain, maintain and renew permits. In addition, permit terms and conditions can impose restrictions on how the Company conducts its operations and limit the Company's flexibility in development of its mineral properties. Prior to any development on the Company's properties, permits from appropriate governmental authorities may be required. Permits required for the Company's operations may not be issued, maintained or renewed in a timely fashion or at all, may not be issued or renewed upon conditions that restrict the Company's ability to conduct the Company's operations economically, or may be subsequently revoke. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions could have a material adverse effect on the Company's business, results of operations, financial condition and prospectus.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect operations at the Company's properties.

Exploration and Geological Report

The reported results in the technical reports filed in respect of the Company's properties are estimates only. No assurance can be given that the estimated mineralization will be recovered. The reported results are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Estimates may require revision (either up or down) based on actual production experience. If the Company encounters mineralization or geological formations different from those predicted by past drilling, sampling and interpretations, any estimates may need to be altered in a way that could adversely affect the Company's operations or proposed operations. In addition, market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain minerals uneconomic.

Land Title

No assurances can be given that there are no title defects affecting the Company's properties. The Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects.

Commodity Price Fluctuations

The price of metals has fluctuated widely in recent years, and future serious price declines could cause continued development of and commercial production from the Company's properties to be impracticable. Future cash flows may not be sufficient and the Company could be forced to discontinue production and may be forced to sell the properties. Future production by the Company is dependent on metal prices that are adequate to make this property economic.

In addition to adversely affecting the commercial production estimates and financial conditions, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Additional Capital

Mining, processing, development and exploration may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on satisfactory terms.

Foreign Exchange Rate Fluctuations

Operations in Guatemala, Mexico, and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration costs of the Company are denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

Property Exploration and Development Risk

The Company's properties are currently at the exploration stage of development. Exploration and development is subject to numerous risks, including, but not limited to, delays in obtaining equipment, material and services essential to developing the project in a timely manner; changes in environmental or other government regulations; currency exchange rates; labour shortages; and fluctuation in metal prices. There can be no assurance that the Company will have the financial, technical and operational resources to complete the exploration and development in accordance with current expectations or at all.

Insurance Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failure, cave-ins, mechanical failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, the Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to the Company or other companies in the mining industry on acceptable terms. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

Force Majeure

The Company's projects now or in future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Forward Looking Statements

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

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

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

Other technical information

Mr. Gary Parkison, Metates Project Manager and a Qualified Person as defined by NI 43-101 is responsible for the technical information on Metates, Mr. Doug Austin, P.E., Senior Vice President, Dr. Art Ibrado, QP Member, MMSA, Project Manager and Mr. Richard Zimmerman, R.G. Environmental Geologist with M3 and Mr. Michael Hester F AUS IMM, Vice President, and Ms. Sylvia Y. Genglet, Senior Geological Engineer of IMC, Dr. Deepak Malhotra, SME, President of Resource Development Inc., and Mr. Grenvil M. Dunn, P. Eng, C. Eng, Director of Hydromet (Pty) Ltd. prepared the NI 43-101 Pre-feasibility study, Reserves Estimates and Mine Planning in accordance with NI 43-101.

E. Max Baker, Ph.D., M. Aust.IMM, directorof Gunpoint, is the Qualified Person as defined by National Instrument 43-101 and is responsible for the technical information on Talapoosa. Mr. Todd McCracken (P. Geo) of Tetra Tech is the Qualified Person as defined by National Instrument 43-101 and is responsible for technical information in the updated Resource Estimate for Talapoosa.